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Date: November 18, 2019

To,
BSE Limited
P. J. Towers, Dalal Street, Fort
Mumbai – 400 001.

To,
National Stock Exchange of India Limited
Exchange Plaza, BandraKurla Complex,
Bandra (East), Mumbai-400 051.

Ref.: BSE Scrip Code No. "540743"

Ref.: "GODREJAGRO"

Subject: Transcript of Conference call of Godrej Agrovet Limited with Investors & Analysts held on November 5, 2019.

Dear Sir,

Please find enclosed herewith transcript of Conference call of Godrej Agrovet Limited held on Tuesday, November 5, 2019 at 4.30 p.m. IST. with the Investors and Analysts.

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

Please take the same on your records

Thanking you,

Yours faithfully,

For Godrej Agrovet Limited

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

Encl.: As above





Godrej Agrovet Limited

Q2 and H1 FY20 Earning Conference Call Transcript November 05, 2019

Moderator: Ladies and gentlemen, good day and welcome to the Godrej Agrovet 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 '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Devrishi Singh from CDR India. Thank you and over to you, sir.

Devrishi Singh: Thanks, Karuna. Good evening everyone and thank you for joining us on Godrej Agrovet Q2 and H1 FY20 Earnings Conference Call. We have with us Mr. Nadir Godrej - Chairman of the company, Mr. Balram S. Yadav - Managing Director and Mr. S. Vardaraj – Chief Financial Officer of Godrej Agrovet Limited.

We would like to begin the call with brief opening remarks from the management following which we will have the forum open for an interactive question-and-answer session. Before we start, I would like to point out that some statements made in today's call may be forward-looking and a disclaimer to this effect has been included in the earnings presentation shared with you earlier. I would now like to invite Mr. Nadir Godrej to make his initial remarks.

Nadir Godrej: Good evening everyone. I welcome you all to the Godrej Agrovet conference call to discuss the operating and financial performance for the second quarter and first half of the financial year 2019-20. I shall take you through the summary of the results followed by the key developments and operational highlights for each of our businesses.

For the second quarter, our consolidated total income was 1862 crore compared to 1592 crore in the corresponding quarter of the previous year, registering a growth of 16.9%. Consolidated profit before taxes was 81 crore compared to 114 crore reported during the same period last year. Similarly, for the first half of the year, consolidated total income was 3575 crore compared to 3080 crore reported for the first half of the previous year, registering a growth of 16.1%. Profit before taxes was Rs. 195 crore when compared with 235 crore for the corresponding previous period. Please note that the total income and profits before taxes for the second quarter and first half of previous year exclude a nonrecurring income of 29.9 crore earned on sale of land which was included in other income. Please note this is the financials for the second quarter fiscal year 20 and first half fiscal year 20 include the financial results of Godrej Tyson Foods Limited and Godrej Maxximilk Private Limited which became subsidiary with effect from 27th March 2019.

Now, I will discuss the quarterly performance of each of our business segments. In the animal feed business, volume growth was 9.2% driven by



growth in layer feed, cattle feed and fish feed segments. We have taken price increases for most of our products which resulted in year-on-year revenue growth of 31.9% during this quarter. Consequent to the volume growth and price increase, segment margins improved significantly by 91.1% compared to second quarter fiscal year 19. In the coming months, we will continue to focus on maintaining our volume growth momentum along with increasing the segment margin. In the oil palm business, the revenue was lower by 11.2% as compared to second quarter fiscal year 19 due to a sharp decline in prices of the end products. While arrivals of fresh fruit bunches increased by 23.8% over the previous period, crude palm oil, CPO and palm kernel oil, PKO prices were lower by 16% and 32% respectively. On account of this, the segment performance was significantly impacted and was lower by 37.2%.

In the crop protection business, standalone segment revenues and segment result degrew by 2.2% and 7% respectively. This was mainly on account of initial delay and subsequently extended and skewed monsoon.

In our subsidiary, Astec Life Sciences, we had strong growth of 24% in revenues for the quarter; however, operating profitability was adversely impacted during the quarter due to poor realization, increase in input prices and deferral of export orders. Creamline Dairy Products Limited, our dairy subsidiary posted revenues of 306 crore in the current quarter compared to 300 crore recorded in the same period last year. EBITDA margins improved by 53.4% over second quarter fiscal year 19 primarily as there was no butter provisioning during the quarter. The salience of the value-added products for the first half of the year was 29%. Going forward, our focus will continue to be on strengthening the Jersey brand and increasing the salience of value-added products.

Godrej Tyson Food Limited, our poultry business posted revenues of 108 crore in the current quarter compared to 115 crore in second quarter fiscal year 19. However, EBITDA margins were under pressure on account of increases in the cost of live birds. GAVL's joint venture in Bangladesh, ACI Godrej recorded a robust revenue growth of 34.2% over the second quarter fiscal year 19, driven by strong volume growth in cattle, broiler and aqua feeds.

With this, I conclude our business and financial performance update for the quarter. We will now be happy to take your questions. Thank you very much.

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 Ankur Jain from Alfa Asset Management. Please go ahead.

Ankur Jain: Sir, my question is on the Astec Life Sciences, see the margins have declined and the return on capital employed is also dipping, which is in line with the guidance but what is the outlook now?

Balram Yadav: Astec Life Sciences, the problem has been postponement of lot of our orders, so there is a spill over from Q2 to Q3 and we are also seeing some spill over from Q3 to Q4. So, that is one of the reasons why there is a decline in margin. The second reason was that the Propiconazole has been banned in EU countries and not only we were hit by lower margins because we had to dispose out that material elsewhere but because of high cost of raw material because we had manufactured for Europe in the last quarter of the earlier financial year. There are several things which have hit us in Astec Life Sciences, we also claimed some benefit over the last few years on account of exports which several agri companies including us have done that and now the government had disallowed that so that also has been provided for. Of course, we are still contesting that but almost 6.5 crore has been provided for this.

These are the multiple reasons why Astec Life Sciences is suffering this year. The only thing I can say is that definitely the pipeline of order is strong, almost 90% of capacity in next 2 quarters including the current quarter is sold out.

S.Varadraj: We are quite hopeful that in the balance 2 quarters, current quarter and the next quarter, we will be able to recover lot of lost ground and show a little bit of growth over last year.

Ankur Jain: And sir, then second question is on, you have got 4 different businesses, in one of the recent interviews on a business channel, you alluded to feed having a very high ROCE of almost 80 to 100%, would you mind just giving us a breakup of your business wise ROCEs or feed is 80% you said, may be you can confirm that and what about dairy, chemicals and oil?

Balram Yadav: I will just give you a flavour but offline I think we will give you. Feed, definitely we will do more than 100% ROCE. Agri and oil palm, anything between 30 to 35%. Godrej CDPL, we will be at about 10% to 15% this year.

Ankur Jain: 10% to 15% for which business?

Balram Yadav: Food businesses, which is the chicken as well as CDPL.

Ankur Jain: 15% right?

S.Varadraj : I think 10-15% we are looking right now. So, my sense is that at a blended consolidated level, we will do an ROCE of 20% to 25% in the coming two quarters and the return on capital employed at the consolidated level of (+20%) should be possible.

Ankur Jain: So, ROCE consolidated at (+20%)?

S.Varadraj: Yes.

Ankur Jain: So, is there any possibility of going back to our IPO time level ROCE, I think was close to 30% at a consolidated level?

Balram Yadav: The answer is that is the expectation, but you know that last few years, we have been investing in creating production facilities, etc. Unfortunately because of macro conditions largely those utilizations have not been good, so that is the problem we have right now, but going forward we believe that things will improve, but having said that you all know what is happening in the agri sector and initially there was drought and now today, there is excess of rain which has disturbed several things. So, I think we will have to wait a quarter or two for this recovery to happen.

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

Anirudh Joshi: Sir, just regarding the oil palm business, so we are looking at lower oil content in the fruits, so what can be the particular reason? Also secondly on the entire agri sector, do you see with the excess rainfall there is impact on the Kharif crop and probably the food grain or even the fruit and vegetable production cutting and net-net it impacting the farmer income levels, which in turn may impact our various agri businesses, do you see any probability of that?

S. Vardaraj: Anirudh, Vardaraj here. In oil palm plantation business, we witnessed an unusually high temperature in the current year. Because of this high

temperature, which was witnessed, there was a condition of pseudo ripening wherein the fruits came to be ripe from outside but were not actually ripe. Consequently, the oil synthesis within the fruit was lower and that resulted in the lower oil content in the oil palm fruits. This is an exceptional situation because of the unusually high temperature in the month of June, July.

Balram Yadav: But week on week for last 6 weeks, there is an improvement in OER and now we are clocking more than the standard also now because the rainfall has been very good, the crop condition has improved substantially. So, my sense is that when we account for the whole year, we will be not too far from last year OER level because the current OER is very high.

Anirudh Joshi: Yes, agri sector, how do you see the agri sector, considering excess rainfall and then how do you see the impact of lower farmer incomes on Godrej Agrovet segments?

Balram Yadav: Let me tell you that this rain has been disastrous in last 3 to 4 weeks. The crop is ready for harvesting and in several parts of the country, the harvesting has been delayed. So, one of the things is that government prediction of Kharif crop was close to about 141 million tonnes which was almost the target last year. Our sense is that it will be revised downwards. That is point number one. Point number two is that supply chains of lot of our raw materials in animal feeds and fruits, vegetables, poultry as well as milk have been disturbed. Other competitors of milk have also talked about disturbance in supply chain which has resulted in milk cost not going down in flush also, so that is definitely hurting all our businesses actually. Normally, we saw a decline in milk prices and animal feed raw material prices from the second half of October, now we are in the first 15 days of November and decline has just about started and it is very gradual not the decline which normally happened in the flush season in last several years. So, definitely there will be a challenge as far as several of our businesses are concerned, but we are still hopeful because where will the crop go, it has to come into the market and we will see decline in milk cost and raw material prices which will help both our businesses in the coming months.

Anirudh Joshi: Do you see impact on revenues itself or you see probably only the margins will be hurt and if I am correct, can we see the margins cutting down compared to the FY19 levels?

Balram Yadav: The topline will not be affected because high raw material prices mean high inflation and we will with some time lag pass it on to the customer, so the impact will definitely be margins because in both these businesses, nobody takes price increases in these months as the raw material prices and the milk prices come down and the profitability of business has improved. Rather in animal feed business, there are price cuts in this season because there is a substantial drop in cost of feed and a big part of that is passed onto the farmer. Now, if you ask me in feed businesses, we are very well placed as far as costs and margins are concerned. Any drop in cost, a significant part of that will be added to margin, so we are quite hopeful and once the raw material prices come down, we will be able to improve margin in both animal feed and in milk business.

Anirudh Doshi: Sir, last question with tax rate reduction, so the company would be accumulating additional cash flows, so any plan on that front and also in order to take the benefit of lower taxation, is there any big CAPEX that the company would like to announce or is thinking about?

Balram Yadav: Total tax benefit as per our calculation and as per our expectation for the year will be close to 65 crore at a consolidated level and half of it will be one-time restatement of the deferred tax, so this is the impact. Second thing is that we

have a plan for continuous investments in our businesses. There is 150 crore expansion which will be completed in the next 2 months in the animal feed business. There is a new expansion which we have started in Astec Life Sciences which is close to about 60 crore or so, so there are several projects which are in the plan and with a little bit of disturbance in the macro environment because of lower prices and high rains resulting in disruption of supply chain, we still have not altered our expansion plan as far as CAPEX is concerned; however, we have pulled back big time in our fixed cost and that is one good thing about Agrovet is that we can do that because several of our fixed costs are also variable. And if I give you an example, our manpower cost is almost at par when compared with last year and our fixed cost is only 6% higher than last year and we have only utilized about 93-94% of what we have budgeted. I think we are taking all care that we do not slip up on what we can do to ensure that business performs but we are also not punishing future by cutting down the investments.

Moderator: Thank you. We move to the next question from the line of Preet Nagarsheth from Wealth Financial Advisors. Please go ahead.

Preet Nagarsheth: My question is regarding maize, I think the last quarter I had asked this question that how do you see the availability of maize and I think the answer was that there would be quite a lot of it available at Rs. 16, Rs. 17 a kg. Now with the rains being extended, how do you see the scenario, could you give us some colour there?

Balram Yadav: So, everything has changed in last 30 days because of this rain, it is harvest time of corn and it is raining in several corn areas. Unfortunately corn arrivals should have started around 20th of October and they are still trickling on 5th of November. I am saying that the crop is late, and my sense is that the crop will be less. So our expectation was that in season, base price of bulk maize will go to Rs. 16, Rs. 17. My sense is that we will not see that number, it may be something close to Rs.18, Rs. 19, so that base will change, and I would say MSP has also been changed 5 to 6% by the government. So, definitely the maize sowing in area was more but productivity will definitely suffer and either we have the same quantity of maize last year which was short or we have less than that this year for the maize will be under pressure for at least 3 to 4 months. Having said that, I am still hopeful that because of very good rains, the Rabi maize which is in East India, particularly in Bihar, in every year that acreage is increasing and if the prices are good, we believe Rabi acreages will go up further, so we will not have to import the maize but maize price is not likely to go down the way it used to go down in past.

Preet Nagarsheth: By when do you think the Rabi crop will become available?

Balram Yadav: So, the trickle has started in several mandis. Unfortunately, the initial maize which is coming is very high moisture of 16% to 17% which we don't buy. I think my sense is that in case the sunny conditions prevail for another week or so, the maize arrivals will increase substantially.

Preet Nagarsheth: And the question is, when do you expect the Rabi crop to start arriving? That would be what, around April?

Balram Yadav: Rabi crop comes April end.

Preet Nagarsheth: So, this quarter and the next quarter, there will be an effect of that?

Balram Yadav: We will produce about 22 to 23 million tonnes of corn in India, almost this year 75% will come in the next 2 to 3 months and only about 25 to 30% will come in April, May.

Preet Nagarsheth: So, you are still hopeful to receive reasonable quantities, do not enter lower cost that you are anticipating?

Balram Yadav: If you really ask me, feed cost there is a pass-through with the time lags, so we are not very concerned. The problem is in our chicken business where we will have to absorb the cost in case output prices don't go up.

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

Suman Kumar: My question is regarding palm oil, so we have seen a significant price decline of palm oil and palm kernel, 16% & 32%, so could you please talk about what is the outlook of palm oil price?

Balram Yadav: Last 2 weeks, we are seeing a steady rise in prices of crude palm oil. They have risen from Rs. 52,000 a tonne to about Rs. 59,000 to Rs. 60,000 a tonne and the big problem this year has been the palm kernel oil prices. If we see last 10 years, palm kernel oil prices are about 1.8x to about 2.2x of crude palm oil prices and a lot of our profitability in this business come from palm kernel oil prices. This year unfortunately, palm kernel oil prices are 1.1x the crude palm oil prices and that has hit us very hard apart from low oil prices during season. Having said that, we are very happy that palm kernel prices and CPO prices are increasing but unfortunately only 30% of our business is in the second half, almost 70% of the business is in first half where the hit has been very severe and I don't think whatever has been lost even though the prices remained very high and efficiencies improved, just because not too much of crop is left, so we are unlikely to recover whatever we have lost, but having said that second half will be better than expected but unfortunately it will be a small portion of the total business.

Suman Kumar: And second half the H2 FY19, we have seen some neighbouring area supply of FFB from your area to other area, so that is going to benefit?

Balram Yadav: Last year that problem was there because we have our plantation very close to Telangana and Telangana price was higher than the Andhra Pradesh price. The price fixation as you know is done by the government and lot of our fruits went to Telangana to Telangana oil Fed which is the government oil mill. So, last year mid season, government of Andhra Pradesh had partially corrected this formula and they said that they will bear the difference which stopped our fruit from going to Telangana. Moreover, we also made sure through some incentive that FFB does not pilfer to Telangana. This year, we have been very careful from start. The government has been very helpful in terms of giving incentives to the farmers. So, this year I would say that absolutely zero pilferage of fruits has happened out of our plantation.

Suman Kumar: That is going to benefit in H2, right?

Balram Yadav: No, H1 is the main thing. H2, I told you only 30% of the business is in H2 and definitely it will be more than expected but not enough to cover the gap created in H1.

Suman Kumar: So, talking over the crop protection margin, we have seen a significant decline in Astec Life Sciences, so do you think the recovery is likely to be happened, the price is likely to be poor and input price volatility is there. So, assuming

whatever deferral sales is going to happen in Q3 and Q4, so some operating efficiency will be there but overall, realization and the volatility in the raw material price is going to impact overall operating performance of the crop protection?

Balram Yadav: So, operating performance of the Astec Life Sciences definitely will increase in Q2 and Q3. We have the orders and the level at the cost level and the price level at which the material has been sold. We are very sure that expansion in our margin as compared to first half will happen. The only thing which can be a spoiler is postponement of orders. That is one of the things which is happening regularly for lot of our intermediates and technical supplies because this season in other country is also erratic and this will pick up 15-20 days later, we missed the quarter and sometimes we will miss the financial year also, but we are hopeful that if everything happened as plan which is not very aggressive, we should be able to show some marginal growth over last year after providing for whatever we had to return to the government.

Sumant Kumar: So, what is your say on poor realization, how it is going to improve and how?

Balram Yadav: As I told you in last question also, I said that in all our sales the realization has suffered only in Propiconazole because of the ban in EU and that was one of our main products, so we had manufactured at very high cost and sold at very high prices in the last quarter of last year which was supposed to be dispatched in first quarter and we would have made significant margin on that but unfortunately because of EU ban, the prices fell and we were left with high cost Propiconazole which we disposed our lower margin to get rid of that stock, so that thing is over and unfortunately, the loss has been quite significant in that plus 6.5 crore provision we had made for some export benefit claim we had met in past several years, which has been disallowed by the government; however, we are still disputing that and the provision has been made.

Moderator: We move to the next question from the line of Madhav Marda from Fidelity Investment. Please go ahead.

Madhav Marda: Sir, just wanted to check on a couple of line items. If I look at the staff cost and the other expenses on a Y-o-Y basis that seems to have gone up by almost 25 to 30%, is that more in the normal course of things or is there some additional expenses which have come in from this quarter?

S. Vardaraj: No, there are no one-off expenses which are there, may be offline we can give you the detail separately. So, Godrej Tyson Foods and Godrej Maxximilk have been consolidated in the current year only and previous period financials do not have the results of these two entities so we need to factor in especially when we are looking at other expenses etc.,

Madhav Marda: And the other question was on the dairy business, when can we expect because this time we didn't have the butter provisioning losses also that happened last year. By when do we see margins picking up and what could be sustainable margins, may be next financial year for the dairy business?

Balram Yadav: In respect of dairy business, in the second half the cow milk and buffalo milk prices will fall, if you go by last year's about 4 to 5%.

Moderator: Thank you. The next question is from the line of Ishmit Singh from RBL Bank. Please go ahead.

- Ishmit Singh:** I had a question regarding Astec Life Sciences regarding the ban of Propiconazole in EU, could you shed some light on how much percentage it contributes to the overall production and how much of that was sold in EU?
- Balram Yadav:** The budgeted contribution was close to 12 crore which is almost half of contribution from Propiconazole.
- Nadir Godrej:** The Propiconazole prices fell because of the ban in the Europe because there was an oversupply, but the oversupply situation is now correcting and the Propiconazole capacity can be used for other products as well over time and the transition will be a bit difficult.
- Ishmit Singh:** And sir, any reasons why the countries that banned the Propiconazole, any other countries are going to ban it in the future and are there any substitutes stand to replace that product?
- Balram Yadav:** In past, we have seen once one country starts banning, definitely within 2 to 3 years other countries also start banning that molecule because this was also an indication that the originator of that molecule is not available. Having said that, we also are looking on some substitutes which can be introduced in next 2 to 3 years and we have also converted that capacity into Tebuconazole where we short of production and we are oversold as far as Tebuconazole is concerned, so I think that way one of the things which we have done in past is to make our plant a little more versatile.
- Ishmit Singh:** And sir, that 12 crore contribution was to the topline or was it to EBITDA?
- Nadir Godrej:** No, this is margin after variable.
- Moderator:** Thank you. The next question is from the line Nishant Sharma from HDFC Securities. Please go ahead.
- Nishant Sharma:** Just 2 things from my side, one is that sir, we have some 17 crore kind of loss on the other segment, on the segmental bit, is it one-off or how is the case, can you just explain a little bit on that?
- S. Vardaraj:** Other segment is basically Godrej Tyson Foods and Godrej Maxximilk and others which is there, so primarily Godrej Tyson Foods.
- Nadir Godrej:** It is primarily Godrej Tyson Foods.
- Nishant Sharma:** So, are you expecting anything improvement on that going ahead or how is the case on that?
- S.Varadraj:** On the other segment?
- Nishant Sharma:** Yes, on the other segment because last quarter that is Q1, we had marginal profit on that but from this quarter onwards it is a huge bump up because the main core segments are also witnessing some headwinds and to add to on the taking down around 17 crore of profit, so what is the view on this segment as well?
- Nadir Godrej:** Godrej Tyson Foods is affected in this quarter as a very high price of live birds. As we move towards the winter and raw material prices come down, the cost of live birds should fall and the margins in the poultry business should improve. The other businesses of Godrej Tyson are doing quite well.

Nishant Sharma: And the second line sir, are we sharing any guidance on topline and the EBITDA margin because this time around we have been able to clock in around 16% growth on first half but in terms of the EBITDA, we failed to pour some growth on the EBITDA front, so any guidance that you are sharing on the EBITDA margin on a console basis or anything on that?

Balram Yadav: I will be very honest with this. So, let me just tell you that considering the past, I am not talking about 1 to 2 years, I am talking about decade, animal protein businesses have always done well in second half because raw material prices go down, the animal protein prices rise and we get the benefit of expanded margin. Having said that, we still don't know what is the full impact of the rain, so everybody is talking about disruption in supply chains of raw materials and supply chain of milk and it is pretty well known that milk flush has not started and it used to start towards the end of September, beginning of October and milk prices ex-farm continue to be high. So, my sense is to answer this question, I would like to wait for another one or two weeks and see how this shapes up because in spite of spending 3 decades in this business, this is a very unique year when half the season was drought and half the season was excess rains which continued at the time of harvesting, etc., so hard for me to give you a confirmed answer as the situation is not very clear.

Nishant Sharma: Just last one thing, what would be the tax rate for this year and the next year?

S Vardaraj: So, for Godrej Agrovet, the total tax including the onetime benefit of deferred tax should be around 18%, 17.7% or so.

Nishant Sharma: That would be consol, right?

S. Vardaraj: On consolidated basis, it should not be very different because Godrej Agrovet Creamline Dairy is also similar rate, Astec will be around 21% but salience in the consolidated profit will not be so significant, so it should be around 18% or so.

Moderator: Thank you. The next question is from the line of Nitin Awasthi from East India Securities. Please go ahead.

Nitin Awasthi: I just had two questions, one was on the poultry industry and the second one also on the aqua industry, both of these are very important feed categories for you and the poultry industry, we have been hearing some news that the industry is not being doing so well, like you mentioned that you are also in that business, the price of live birds are up and the second complaint which most of these farmers are saying the feed prices are just rising and the final product price is not rising enough, so are you going to be taking a price cut in this segment going ahead?

Balram Yadav: You are talking about poultry feed?

Nitin Awasthi: Yes sir.

Balram Yadav: So, poultry feed, I think the problem continues in broiler, there the cost of bird has risen because of almost 25% decrease in feed cost for over last year and because of oversupply, the prices of chicken are not rising and they are still below cost of production and they had been like this for last 4 months and that is why you see reports that poultry industry is not doing well. So, having said that, egg industry particularly is doing well and that is reflected in our numbers also. If you see our layer feed sales which go for the birds which produce eggs, the growth is close to 35% in volumes. Aqua feed industry, particularly fish feed is growing very well. We have grown almost 50% in the first half. Shrimp feed

actually the industry has done well, not from the point of view of volumes because the crop was less but the prices of shrimp have been very good and very remunerative which are reflected in the results of some of our competitors and if you remember, we were not a very significant player in shrimp feed but we will definitely this year in spite of being not a very good year for volumes will arrest that decline at least, but in fish feed we are growing very well.

Nitin Awasthi: Sir, on the aqua feed side, again prices of one major raw material has gone on the spot under disruption because of some policies that have come in, I am talking about fish meal, has that been sorted?

Balram Yadav: Fish meal, 5% GST has been managed and that has been included in the cost I think that increases the cost of aqua feeds between 1 to 1.5% or something like that but I would say that that will be compensating the effect in the coming season because soybean is an important ingredient of shrimp feed which is likely to fall because the season has started and de-oiled rice bran is a very important component of fish feed, almost 50% of fish feed is de-oiled rice bran which will also fall because as soon as the selling starts and solvent extraction plant start, there will be a big inflow of de-oiled rice bran. So, I feel that shrimp season is almost over, now the season will start in February, but my feeling is that fish will continue to grow in the coming months.

Moderator: Thank you. The next question is from the line of Rohan from Edelweiss. Please go ahead.

Rohan: Rohan here from Edelweiss. Sir, one quick question on this Astec Life, can you just quantify that how much dependency is there on Propiconazole and how much inventory losses you have suffered in the first half?

Balram Yadav: As I told you that 12 crore was the loss we suffered on account of lower prices and higher cost.

Rohan: So, this is complete ban in Europe, and you have taken all the related loss or you still have some inventory which can have impact on your...?

Balram Yadav: I think that correction we took very early. Most of it has been already cleaned up, we don't have any stocks and now we are selling is there and why we have to reduce price because the raw material cost reduced after that.

Rohan: So, have you moved completely out of Europe market as far as the Propiconazole is concerned and this product is sold through another channel?

Balram Yadav: Yes, we are out of that market, but we are definitely selling it in India and several other markets.

Rohan: Would it be possible to quantify that how much revenues we are getting from this particular product?

Balram Yadav: We can share offline. It is an important product for us.

Rohan: I will collect that sir. Sir, second is on your aqua feed and shrimp feed business which you mentioned that the industry continue to do well, can you give some number that how the industry growth was this first half and in terms of like the rise in raw material prices and you mentioned that you expect soybean prices also likely to come down while our understanding says that there is an impact on soybean output in MP and that may lead to high prices of soybean, so I think that there is some disconnect, so do you see that the raw material prices

will come down further in second half and the industry growth rate if you can that give some number on both shrimp and aqua feed?

Balram Yadav: I think there is no dispute as far as soybean crop is concerned, so we also are hearing reports that in several places in Vidarbha and Madhya Pradesh the crop has been hit but you must also realize that soybean prices are also dependent on how much we can export and how much we can consume domestically. Now my sense is just because broiler industry is not doing well and we have seen that there is a shrinkage of industries and never cash losses they suffer for a reasonably long period of time, so production drop might be compensated by consumption drop for some time. So, our sense is that the dip may not be as big as it used to be, but there will be definitely dip, there will be opportunity to cover but as far as overall soya crop and overall year is concerned, we strongly believe that soya prices will be higher than last year, so this is what I was saying that there might be temporary drop because temporary contraction of broiler industry which is the biggest consumer of soybean in terms of domestic industry, so this is point one. Point two, I would say that broiler industry has definitely grown significantly over past 12 months and that is what is causing a little bit of glut which is under correction because how the correction happens is that lot of parent stocks, etc., come into **49:18 (Inaudible)** so the numbers are reduced because of purely of supply and demand situation which leads to low prices and then this correction has started, my sense within 2 to 3 weeks this correction will happen and broiler prices will become negative but once the correction happens, for it to go back to original level, since this is a breeding business that takes time. As far as shrimp industry is concerned, it is definitely lower than last year or at par. Fish has grown by 15 to 20% and that is what we are seeing that not only it has grown but category conversion has also happened that is why our growth in floating fish feed is close to 50% because when the fish prices are very good, farmer shifts from raw material to compound feed and that category conversion we are seeing.

Rohan: Sir, just last question, you mentioned on these non-remunerative prices on palm kernel oil which definitely used to be linked with the crude palm, 1.8x to 2x now, 1.1x, any particular reason and how long you see that this is likely to continue?

Nadir Godrej: Palm kernel prices are not likely to have a very high premium over palm oil but palm oil prices are currently very high. Palm oil prices in India has already in the futures market are at Rs. 61.5 per kilo. Indonesia has announced plan to use 30% palm biodiesel with diesel in Indonesia and that has put fire under the palm oil market and we don't think palm kernel oil will have a big premium over palm oil but it is definitely always going to be higher than palm oil, so it is not going to go very low.

Rohan: So, this is mainly because of high prices of crude palm oil, not because of the problem in?

Nadir Godrej: Because of the high prices of crude palm oil. We don't think it will have high premium for the near future. We would need failure of the coconut oil crop to have a big premium of palm kernel oil of palm oil because palm oil production is quite high now. Palm kernel oil is the proportion of the palm oil production, but coconut oil and palm kernel oil are close substitutes for each other. If coconut oil production falls, then palm kernel oil prices can go to big premium of palm oil, but that looks unlikely.

Balram Yadav: One more thing I want to add on shrimp feed. For first 6 months, shrimp feed numbers are marginally less than last year, almost 2% drop but if you see the

skew, most of the damage was in the first quarter and over the second quarter last year this shrimp feed is higher by 44%.

Rohan: So, do you see that the trend likely to continue in H2?

Balram Yadav: That is what I am telling you that all these disruptions or noise happen when the crop is delayed. Overall, I feel that we will be flat, but we would arrest the decline which was happening for last few years.

Moderator: Thank you. The next question is from the line of Pratik Chaudhary from Samarth Capital. Please go ahead.

Pratik Chaudhary: Sir, you had spoken about 6.5 crore provision that you had taken for some export benefit, when was this taken?

S. Vardaraj: In terms of this particular export benefit, which is there, we had taken this export benefit based on a specific classification. The government is saying that the classification is not right, and they are asking us to reclassify it which means that the export benefit gets reduced.

Pratik Chaudhary: And this was taken in Astec Life Sciences, right?

S. Vardaraj: Yes, in Astec Life Sciences.

Pratik Chaudhary: Which particular year or quarter?

S. Vardaraj: This is pertaining to prior years, so it is pertaining to I think 18-19 and 17-18.

Pratik Chaudhary: And this expansion you spoke about of around 60 crore for Astec, what is the kind of asset turns you expect out of this in because given that Propiconazole, one of our major products may not contribute to us in a major way in times to come?

Balram Yadav: I will just reply in a very short sentence that Astec Life Sciences was dependent only on Triazole, almost 90% of our turnover came from Triazole which is a very big risk and we had embarked on trying to figure out future strategy of Astec Life Sciences. We were advised by global consultants on that the project which was undertaken a few months ago, it was the project where we charted out this strategy for growth. This plant is not for fungicides or Triazole, it is part of our diversification into other genre of chemicals in the agri space.

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

Nadir Godrej: Thank you. I hope we have been able to answer your questions 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 members of the management. Ladies and gentlemen, on behalf of Godrej Agrovet Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.