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Date: May 16, 2022

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

Ref.: BSE Scrip Code No. "540743"

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

Ref.: "GODREJAGRO"

Dear Sir / Madam,

Subject: Transcript of Conference call with Investors & Analysts held on May 10, 2022

Ref. Submission under Regulation 30 of Securities and Exchange Board of India (Listing obligations and disclosure Requirements) Regulations, 2015

Please find enclosed herewith transcript of Conference call of Godrej Agrovet Limited with the Investors and Analysts held on Tuesday, May 10, 2022.

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

RAIZADA VIVEK PRITAMLAL
Digitally signed by RAIZADA VIVEK PRITAMLAL
Date: 2022.05.16 18:02:44 +05'30'

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

Godrej Agrovet Limited
Q4 FY22 Earnings Conference Call
May 10, 2022

Moderator: Ladies and gentlemen, good day and welcome to 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 "*" then "0" on your touch tone 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, sir.

Mit Shah: Thank you, good afternoon everyone and thank you for joining us on the Godrej Agrovet Limited Q4 and FY 22 earnings Conference Call. From the company we have Mr. Nadir Godrej, chairman of the company, Mr. Balram S. Yadav, managing director, and Mr. S. Varadraj, chief financial officer. We would like to begin the call with the brief opening remarks from the management, following which we will open the forum for an interactive Q and A session. Before we begin I'd like to point out that certain statements made in today's call may be forward looking in nature and a disclaimer to this effect has been included in the earnings presentation shared with you earlier. I would like to invite Mr. Nadir Godrej to make his initial remarks. Thank you and over to you, sir.

Nadir Godrej: Good afternoon, everyone. I welcome you all to the Godrej Agrovet earnings Conference Call. I hope and wish you are doing well and are staying safe. The financial year 2021-22 turned out to be a strong financial year for Godrej Agrovet in terms of top line growth with strengthening profitability. We recorded a total income of INR 8,385.7 crore in financial year 21-22, growing at 33% as compared to the previous year. Our quarter four growth in total income was also excellent at 44.9% year on year. The consolidated profit before tax grew by 92.4% and 22.4% for Q4 and FY22 respectively, please note that the above numbers are excluding exceptional and non-recurring items and the breakup of the same has been provided in our earlier presentation for the quarter. Our consolidated balance sheet remains strong with net debt to equity in a ratio of 0.57x as on 31st March, 2022, largely unchanged from the previous quarters.

Now I will discuss the key financial and business highlights of each of our business segments. In animal feed we achieved 20% growth in volumes in Q4 as well as in financial year 21-22. The volume growth was achieved across key feed categories and was mainly led by new products and market share gain. In Q4, the segment results were impacted due to the continued drive with input commodity, however, for the full year 2022 segment results grew by 22.2% year on year. There were several factors driving growth in segment results, such as timely price hikes during the year, R&D benefits and strategic stocking initiative. The vegetable oil segment witnessed the most remarkable year, the combination of improvement in yield levels and all-time high oil prices led to almost 2.9 times year-on-year growth in segment results in FY22. For the 4th quarter, segment results were higher by 6.2 times as compared to Q4 FY21. The average prices of crude palm oil and palm kernel oil increased by 51% and 90% respectively in FY22 versus FY21. Improvement in the oil extraction ratio in FY22 was driven by R&D and operational efficiency.

For the standalone crop protection business, it was one of the most difficult years in terms of operation. The monsoon turned out to be extremely erratic and uneven limiting application opportunities while input cost inflation continued to impact profitability. In the second half of the year, we focused on improvement in channel hygiene, which led to higher sales returns and increased provision for doubtful debt in the third quarter. Consequently, FY22 standalone crop protection revenues and profitability were below our expectations. Moving to the performance of our subsidiaries, Astec Life Sciences delivered its best quarterly and annual performance in Q4 and FY22. Revenues grew by 58.2% in Q4, while it closed the year with the growth of 21.9% reaching INR 676.6 crore in FY22. The robust performance was mainly driven by higher export realization and a favorable product mix, Astec achieved EBITDA growth of 82% and 38% in Q4 and FY22 respectively with higher realization supported by backward integration benefits.

Our poultry subsidiary Godrej Tyson Foods Limited registered a revenue growth of 45.8% in Q4 FY22 led by strong volume growth in real good and live bird category. EBITDA for the quarter also jumped to INR 16.2 crore as live bird prices rose sharply on a demand rebound. For the full year, top line growth of 30.1% was offset by fall in EBITDA on account of elevated feed costs throughout the year. Our dairy subsidiary, Creamline Dairy Products Limited continue to gain market share in value added products such as curd, buttermilk, ghee, milk drinks, etc. in its key markets. As a result, revenue from value added products grew by 16% in Q4 and 27% in FY22 over the corresponding period. This further translated into CDPL's total revenue growth of 20.2% and 13.8% in Q4 and FY22 respectively. However, unprecedented inflation in the entire basket of input costs had a severe impact on CDPL's margin profile. While Q4 EBIDA growth was higher at 29.7% owing to product mix and increase in end product pricing, there was a degrowth in margins for FY22. GAVL's joined venture in Bangladesh, ACI Godrej recorded another quarter and another year of strong performance with revenue growth of 41% and 24.5% in Q4 and FY22, respectively. All feed categories i.e. cattle, poultry and aqua feeds witnessed strong demand and market share gains in Bangladesh. That concludes our business and financial performance update for the quarter and the full year. With this, I close my opening remarks. We will now be happy to take your question. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Nithin Awasthi from Incred Equity. Please go ahead.

Nithin Awasthi: Hello, sir. Thank you for the opportunity. The first question would be just as per my understanding, it is the aqua division in the feed segment which is the most profitable among the other feeds, poultry and cattle, is that understanding correct, sir?

Balram S. Yadav: Yes, aqua is part of the feed segment.

Nithin Awasthi: Yes, but is it more profitable than the cattle feed segment and the poultry feed segment, which includes broiler and layer?

Balram S. Yadav: No, not, not this year.

Nithin Awasthi: Historically that has been the case, I believe this year there has been disruptions.

Balram S. Yadav: So because of two reasons, one reason is that high soya bean prices and fish meal prices ate into the profitability and the big problem is that there are certain price controls being exercised by government of Andhra Pradesh. So a full pass through has not been possible in aqua feeds, particularly in the state of Andhra Pradesh, which is the main state and this is not only for us, but for all fish feed and shrimp feed players.

Nithin Awasthi: Understood, sir. Also in your presentation, you have not mentioned the growth or degrowth in the aqua segment compared to cattle, broiler and layer, in which you have shown impressive growth. If you could just give us that figure, if possible.

Balram S. Yadav: So we can give you that offline, the salience is close to 10%.

Moderator: Mr. Awasthi, is there any other question? Mr. Awasthi, we cannot hear you, please confirm. Due to no response, we'll move to the next question. Before we take the next question, we would like to remind our participants you may press "*" and "1" to ask a question. The next question is from the line of Saurabh from AMSEC, please go ahead.

Saurabh Kapadia: Thank you for the opportunity. Sir, our Q4 volumes in the animal feed were lower than Q3, so was it only because of aqua or are you witnessing higher prices or realization, there has been some demand destruction.

Balram S. Yadav: I think Q4 normally is a weaker quarter anyway, because it is off season for aqua, both for fish and shrimp and there was a little bit of demand destruction also, particularly in broilers because of low prices the broiler population really went down in January and February and it is only in the March the placement started, so these were two reasons why Q4 is lower than Q3.

Saurabh Kapadia: Sir, any guidance in terms of the volume growth for next year?

Balram S. Yadav: So, I think it was an amazing year for us in Animal Feeds last year where we grabbed a lot of market share because the market in different segments was either flat or decreasing. But we grew, totally, we have grown almost 20.3% last year, but I must tell you that this is an opportunity which does not come our way every time. So, I would be very happy if we register anything between 13% to 15% growth in volume in the coming year or this year, current year and that is what the trend of April is also showing.

S Varadaraj: Having said that, just wanted to also put one more perspective in terms of Q4 performance, Q4, the volumes of most of our product categories has grown, on an overall basis in animal feeds we had a growth of around 20% in Q4 led by cattle which grew by almost 25% and layer feed which grew by almost 28% vis-à-vis Q4 of the previous financial year.

Saurabh Kapadia: So now coming to the pricing, we are seeing some pressure on the margin. So have you taken a further price hike or how is the inventory situation in terms of the animal feed segment?

Balram S. Yadav: But for shrimp feed and fish feed in Andhra Pradesh and for the obvious reasons of government interference in the pricing and all the other states and segments, we are taking a continuous price increase because the inflationary conditions continue and whether it is DOR rice bran or corn, in spite of it being a season, the prices are at least 10% to 12% still higher than last year. The only respite has been that government has again allowed import of soya meal and the soya meal prices have dropped by about 10% to 12% in last one week. So I think, as and when needed we are taking price increases, but I must also qualify that this price increases with the time lag, so this takes us about 2 to 3 weeks after the raw material prices to probably take a price increase, so you must always keep in mind that time lag will remain. But on the whole, I think 90 to 100% pass through is possible.

Saurabh Kapadia: Okay, so next would be your crop rotation business. So FY 22 was bit challenging for the standalone crop protection business, so how should we see for the next season and also new launches that is lined up?

Balram S. Yadav: So, I think everybody knows that what happened and I think we are not out of place because most of the other companies also are reporting returns and a little bit of challenging situation. But having said that, we bit the bullet in Q3, we have taken back the raw material. We have made extra provision also just to clean the balance sheet for future and not to punish future because of last year, of course, that money will be recovered and most of the stock which has been taken back will be, I would say re-dispatched because all of this stocks had almost one to one and a half years of expiry remaining. Having said that we have been extremely careful new processes and systems that have been set so that we don't get into a jam like this. We also took consultants' help who are working on this project for last 6 months to set processes and set checks and balances so that in case there is a COVID wave or drought we should not get into a similar jam. In fact, this division had a very good track record for almost a decade, but one monsoon failure and consecutive waves of COVID definitely threw us off balance. So I'm very sure that with lot of discipline, we will regain our lost glory and we are not very aggressive in going for top line this year, but we will come back to 13 to 14% PBT on sale, which has been norm, but this will be much cleaner sales and we will maintain the hygiene in the market.

Saurabh Kapadia: Okay, sir, lastly on the palm oil business, sir if you can provide the area under total palm oil, so last time we had number of about 72000 odd hectares, so has it increased and also the total FFB OER and oil extraction ratio?

Balram S. Yadav: So I think palm oil, I think lot of good work we have done has been masked by high prices. So I need to tell you that last year was an amazing year from the point of view of improved efficiency, whereas OER improved significantly from, I think, 17.5% to 18.75%, which was a very, very big improvement, which came in because of lot of procedural changes, better management, new equipment, and some R&D initiative, which we took in oil recovery by using several physical and chemical methods. So I think that has been there. The overall increase in FFB processed last year was 9% and 9% because we lost a few, 2000 tons to Telegana, because of price differential the Andhra Pradesh government was very sluggish in revising the formula. Telangana government was very, very proactive just cause we have contiguous area, the flight of fruit keeps on happening and it was a significant number we lost last year, but not anymore. That's point number one point, number two is that yes. I would say that we are close to about 70,000 hectares already and this year again we are going to do 4,000 to 5,000 more expansion, but I must also tell you that net increase is only about 3000 hectares cause uprooting keeps on happening and now that NMEO-OP scheme is there once we get allocations in Northeast and in other states, we might increase this number to 7000 to 8000 hectares a year from next year onwards.

Saurabh Kapadia: Okay, and sir this OER can it be sustained now at 18.75 or can it be further improved?

Balram S. Yadav: So definitely the target is because I think, better analysis, better equipment, better technology, lot of work has happened for last 3 to 4 years with this, because you know, more OER is more profit for us because we pay on fruit weight. So I have a feeling that definitely this is sustainable this year, but most probably we will take more steps to improve it further next year also.

Saurabh Kapadia: Okay. Thank you and all the best.

Balram S. Yadav: Going by April and May to date, it is sustainable.

Saurabh Kapadia: Okay, thank you.

Moderator: Thank you, ladies and gentlemen, in order to ensure that the management will be able to address questions from all participants, we would request you to please limit your question to two at a time. Should you have a follow-up question, please rejoin the queue. Thank you. The next question is from the line of Aniruddha Joshi from ICICI Securities, please go ahead.

Aniruddha Joshi: Thanks for the opportunity, sir, just one question, has Godrej Agrovet gained market share across segment considering this has been a very tough time for most of the unorganized players, and if true can you indicate the market share gains also in past one year for the company?

Balram S. Yadav: Look, animal feed I can definitely tell you that we have had unprecedented year and when the market has not grown or degrown in most of the segments. So I must tell you that we have 20.1% growth in cattle feed, 32% growth in broiler feed, 26% growth in layer feed and we had almost 21% growth in shrimp feed, unfortunately fish suffered because for fish the first quarter that is April to June is very important and April to June was wiped out in rural India cause of COVID 2. So I think there we degrew almost about 18%, but overall I would say that there's a big stride in our market share and definitely I'm not talking about basis points. I'm talking about at least 2% to 3% improvement in our market share in each of these segments. We believe that we have got into dominant position in several states, particularly in cattle feed and layer feed and we are very, very hopeful that not only we will be able to maintain that leadership, but also add one or two more states in this list. I must tell you that even though we are the largest cattle feed player in the country, we were not number one in any of these states. Now this year we have regained our number one position in Maharashtra and most likely one or two states will also be added in the next few quarters in this list.

Aniruddha Joshi: Sir, this is very, very helpful, many thanks.

Balram S. Yadav: So I think since you talked about market share I also need to tell you that in several categories of Creamline Dairy, particularly the value added products, as per Neilsen we have had major gain in the market share in Andhra Pradesh and Telangana.

Moderator: Thank you. The next question is from the line of Vidit Shah from IIFL, please go ahead.

Vidit Shah: Hi, thank you for taking my question, so could you provide some color and outlook on the vegetable oil business and you know, prices and availability demand of the palm oil, I mean, where do you see this going given the volatility in the market?

Balram S. Yadav: So today the CPO price is close to about INR 150 per kg and the CPQ price is close to about INR 220 per kg, which are totally unstable because at these levels there will be huge demand destruction. Now the two big variables in this are the Indonesian government's policy because Indonesia is one of the biggest suppliers of palm oil, almost they produce about 48 million tons and they have banned exports for sometime just to cool off their domestic prices. Now they have to withdraw that ban because the season is coming, they're going to produce good quantities of palm oil and they have storage of 6 to 7 million tons only, which will get filled in next week or two. So ultimately this ban is going to go and definitely the CPO prices are likely to come down in next few days. My sense is that they will come down, but they will not come down to last year levels of INR 90,000 or 100000 at this time, because there is another variable, which is the Ukraine-Russian conflict where almost 22 million tons of sun oil has been out of the market for some time and I think the palm is the only substitute for that sun oil. So I believe that even though the prices will come down, they will continue to be at least 10 to 15% higher than last year and let us see how this season progresses, because I think regulatory environment is also very, very important in exporting countries. So we have our fingers crossed. We believe that the prices should come down because demand destruction is disaster for the industry in the long run. So we are also waiting for the Indonesian government some policy decision, I have not been in touch for last 3 to 4 hours, because today there was a meeting supposed to happen in Jakarta. So I don't know, but my sense is that these are the two big variables.

Nadir Godrej: Balram, I would like to add that apart from sunflower oil, the Ukraine war has also impacted crude oil and gas prices and biodiesel is made from vegetable oils and therefore the demand for biodiesel is immense and as long as crude oil is high, there is no chance for vegetable oil prices to fall.

Vidit Shah: Thank you, sir, got it, that’s very helpful. And my second question was, sir if you could just provide some outlook on, you know, some of the margins of the hit businesses. So animal feeds and standalone crop protection had, you know, an unfavorable margin movement this year, I mean, do you see this recovering in FY 23? I mean, uh, both, you know, commentary is fairly positive with prices being passed on an animal feed and, you know, less provision being taken in standalone, but what extent of recovery can we expect to see in jump of margin.

Balram S. Yadav: So, one thing which I need to clarify that whatever I'm talking, I'm talking about the whole year, I'm not talking quarter on quarter, because definitely there will be lots of macro environmental factors, regulatory factors, monsoon factors, etc. which will affect Q on Q margins. But I can definitely tell you that will the margins of animal feed business be maintained? The answer is yes, we will be able to maintain the same level of margin and register 12% to 14% growth in volume so that I can definitely tell you, I can also tell you that most of our problems are behind us in the agri business. We may see a 15 to 20% topline growth, but we will see the profitability going back to 13% to 14% PBT or sales, what it used to be because last year, the biggest hit was sales returns and just to maintain hygiene in the market and just to make sure that we don't have any obsolesce unnecessarily, we took back the material, which is not the case every year. So my sense is in this, the margins will be maintained. In case the turmoil in OPB business continues, definitely I would say that margins will be better than last year in OPB business and if you ask me Bangladesh, definitely it'll follow the same trend as our animal feed business and slightly better because Bangladesh is mainly import dependent and I believe that they will have some kind of position advantage, which they have been taking for quite some time in last 2-3 months. As far as our food businesses are concerned, I must say that dairy, I think I'll speak later in case there is a specific question, in chicken business, you will see improvement in margins because I think that the prices which were lagging for some time have definitely increased and measured up.

In our business and everywhere there is a time lag between cost increases and price increases, and that hurt us in January/February, but you must have seen our smart recovery in the chicken business and market that still continues. So in the milk business, the big problem is that we are unable to pass through, the continuous increase in cost of milk because the cooperatives in south India are just not increasing prices. You'll be really surprised that last year 8% to 9% was the cost increase to us milk and because of petroleum increase the packaging product went through the roof. The whole industry is going through this trauma, even though we have a higher unprecedented growth in value added products, which are more profitable than milk, but our inability to pass on the total cost has definitely hurt us last year. Price increases have come, albeit a little late, but the cost of milk continues to increase and this is a very rare phenomena in the industry, I've been here 22 years. I've always seen that prices definitely go down in the flush season, starting August and for last 2 years, we haven't had a flush, prices have been moving northwards and cooperatives are losing money, but still supporting the farmer. So there, I think the profitability and the margin rest on the fact that in case there is a flush, we are going to get very good margins because the prices are very high of poultry products, in case INR 2-3 reduction in milk price happens you can imagine that for last 7 months, we can even make 6% to 7% PBT on sales in milk business because of the scale of business and INR 2-3 is a big amount when we are collecting almost 800000 to 900000 liters of milk per day. So I'm saying that this is the margin profile, so far so good, but I definitely feel that this year will again present a lot of challenges every year and we are just keeping our fingers crossed and waiting for the first one, which is the monsoon.

Vidit Shah: Got it, that's helpful. So can I just request one data point in terms of the share of value added products?

Balram S. Yadav: Yes, so I think, last year we have reached about 28% of total sales from 23%. But this year we are going to be big and let me just tell you one more thing that you should not look at FY 21 and FY 22 to judge our performance because quarter one, which is the April, May, June in both years were COVID quarter. That is the time the value added products, the ice creams, the lassi, the buttermilk, the flavored milk, shakes, etc. move because of summer season and unfortunately this business has lost both the summer season to COVID, so my sense is this year we are likely to end up more than a third at least of value added products.

Vidit Shah: Okay, thanks so much, that's it from me.

Moderator: Thank you. The next question is from the line of Aman Vora from Premier Capital, please go ahead.

Aman Vora: Hi, thanks for the opportunity and congratulations on a great set of numbers. So I had two questions. First was on the palm oil segment. You mentioned that we'd be adding net 3000 to 4,000 hectares per year and we see Ruchi soya and other companies also adding a lot of capacity. So, like do we have that endeavor of maintaining the number and position?

Balram S. Yadav: So the allocations we have, I'm not talking about states, which we have exited like Maharashtra, Karnataka and Gujarat because of lack of government support because the farmers also had other opportunity, but we are pretty active in the states of Orissa, Telangana, Andhra Pradesh and Tamil Nadu. I can definitely tell you the kind of allocations we have, a 4,000 hectares per annum increase definitely can be done for next about 7 to 8 years, Telangana and Orissa both are likely to give us further allocation. We have also applied in Northeast, Arunachal Pradesh and Assam present good opportunity for expansion and the government schemes are also extremely favorable. We are already present in Mizoram, so we know the lay of land and we know the challenges of that area. In case we get some allocation in Assam, we can definitely increase it from say 4,000 per annum to about 6000 to 7000 hectares per annum.

Aman Vora: Right. Got it. And second question is that we've been investors in this company for more than 3 years now. I want to understand from you more on a longer term basis, like there are lot of moving parts because we are a agriculture based company and it's affected by so many things in the macroeconomic environment, as an investor over 2-3 years, how should we look at on a consolidated basis? How should we look at the company, whether you want to talk about top line or bottom line or margins, anything, like on a consolidated basis as Godrej Agrovet shareholder?

Balram S. Yadav: So let me just tell you the, the portfolio is the strength and it is the weakness also. And I'll tell you why it is strength. If you see our track record, I think the kind of turmoil this sector has gone in, but we have still maintained that profitability growth and we are still very solvent, debt equity is 0.5. We are continuously investing and we are upping our investments in the businesses we are in. So I think that way, I would say that the business is solid and lot of businesses hedge each other. I'll give you an example. Through R&D initiative, we had substitute for soya meal in our poultry feed and the soya meal went up and as we were so happy that soya meal is very high because we were able to substitute it with other raw materials, which were much cheaper and that was through our R&D initiative and huge amounts of money we had invested in last 5 years in that direction and that resulted in unprecedented growth in our poultry feed, unprecedented increase in our market share and unprecedented increase in our profitability. But on the other side, it hit our aqua feed business significantly because we don't have any substitute in aqua feed for soya, it also hit our Godrej Tyson Foods business because the cost of production went up and we were left with huge amount of long term contracts at lower prices with QSR and these international multinational QSR because of our global relationships at Tyson level, it was not possible to renegotiate in the middle of the year. Of course we have broken out of that tradition and we have now negotiated processing chicken contracts on quarterly basis. But I'm saying just see the edge here, definitely I think, long term we will continue to invest, Astec will be another big vehicle because the opportunity is very big because China plus one opportunity and India becoming a very big hub for chemical. So, you will see lot of investments going in Astec Life Sciences. CPB business once comes back on track every year we have something or the other to launch, either own product or in licensing. So we can maintain the 15%-17% growth in top line and bottom line and Gracia is one molecule, which we have got from Nissan. It has a INR 200 crore opportunity in next 3 years and we will score significant capture of that potential in first year itself. So having said that our two underperforming businesses are milk and chicken. I think chicken is work in progress and this quarter you will see much improved numbers in chicken and that will also give you some confidence that this is a game which we can play profitably and sustainably. The problem with milk business is that either the prices have to go up, which is going to be excruciatingly slow. The reason is because the cooperatives will be very reluctant to raise prices at consumer level or the flush has to come and the milk costs have to come down. I'm very, very hopeful for the second because flush has been missed. We are seeing lot of improvements happening in rural India. People are taking care of animals. So eventually the milk will definitely come down by August or September.

So the way to look at is from the positive side hedge, from the negative side, some businesses underperforming and if we are able to fix them, definitely return on equity, return on capital employed, etc. will go up. So we are just keeping our fingers crossed. We have done whatever is in our control and I think a little bit help from macroenvironment will definitely propel us into 15% to 20% top line, bottom line growth on a steady shared basis.

Nadir Godrej: Balram, I would like to add two points to that. One is we are doing a lot of R&D and we've increased our R&D expense in all the businesses and in businesses like animal feed and oil farm we don't see others doing R&D at our levels, of course in agrichemicals there are lot of Indian companies doing a lot of R&D, but we have also stepped up our R&D spends and that will help in the future and the other thing is the great commodity boom is affecting a lot of economies, but it's wonderful news for Indian agriculture. Indian agriculture productivity is very, very low. So there's very little opportunity to produce more anywhere in the world other than in India and this is a big opportunity and Godrej Agrovet can take benefit from it and India can benefit from it.

Aman Vora: And I would just like to mention this point here, like what Mr. Godrej mentioned, I'm extremely proud of that as a shareholder also because the R&D benefits and the R&D that Godrej Agrovet as a company is doing actually, you don't see on ground other companies doing when I talk to people around. So that is something that I'm really proud of and all the very best and thank you so much.

Balram S. Yadav: Just to give you the good news that our agrochemical R&D center, which will cater to Astec mainly and also crop protection business is almost 75% through. We might just inaugurate that R&D center in October or November this year and I must say that we have no stone unturned in sophistication as well as capacity to create a world class and top of the line R&D center at Rabale in Mumbai.

Aman Vora: Great, all the best, thank you so much.

Nadir Godrej: Thank you.

Moderator: Thank you. The next question is from the line of Falguni Dutta from Jet Age Securities, please go ahead.

Falguni Dutta: Sir, pardon me for asking basic questions, I'm new to understanding your company. So a basic question I had what is the basis for allocation of plantation in palm oil business, suppose two companies were to apply at the same time?

Balram S. Yadav: So there are two top things I must answer. First and foremost is that in the existing areas where we have been allocated every year, government gives us a target, which is controlled by the government to cover that area or to motivate the farmers and convert them into oil farm and this target is based on the fact because the central government and the state government have to support the farmers for next 3-4 years, so they see their budget and they say that let us do only 10,000 hectares in Andhra Pradesh and based on our performance in past several years the different companies give different share and we have been getting a lion's share out of that in both Andhra Pradesh and Telangana including Tamil Nadu also. Now the other interesting question, which is very difficult to answer is the new allocation, like today Northeast has opened up this national edible oil mission, oil palm. There is a big outlay in Northeast, Northeast has become suddenly attractive because not only this government is going to support for a year or two, the farmers and the companies will be supported till 2035. So that is the first time central government has made such a long commitment to any project. Now there the most important states are Arunachal Pradesh and Assam and I must tell you that how they are likely to allocate is a black box because all the documentation has been done and we are just waiting that what allocations we will get, because, I think, all the information has been given to them. So I do not know whether we'll get any allocations or somebody else will take it because of some other reason. So I don't know, but there was a small pocket in Manipur which was closer to our Mizoram facility where we have already got allocation. We are the only company who will be operating in Mizoram in future. But I think that, as I said earlier, that we have a, at least a 10 year runway of 3500 to 4000 hectares per annum in the four states where we are already operating.

Falguni Dutta: Okay, sir and a general question. What if in your allocated area only if the farmer were to decide to cultivate some other crop? Is that allowed?

Balram S. Yadav: So I think that has been the history because one of the big problems with this crop is that it is a plantation crop. Now the big problem is that the first 3-4 years even though the farmer is supported by the government in cost, but he does not have any income so at least 10 to 15% of area, which is planted is uprooted within 1 to 2 years because the farmer is not able to get any income out of it. Now the new policy addresses that. So that's point number one, point number two is that, my sense is that inflation has done wonders for oil seed industry, including oil farm in this country and I always believe no amount of government or private sector initiatives can deliver a result what inflation can deliver. It is a pulses moment for oil seeds in India.

About 5 years ago, you know, pulses price went up by 70-80%. It became very, very attractive for farmers and farmers are businessmen, so suddenly from a pulse deficit state, we became a pulse surplus state at least till last year. So I'm saying this is going to happen in oil. Of course, import dependence will be there, but we are seeing lot of conversion to oil seed, not only oil farm in the country. In oil farm also, you'll be really surprised that in FY 22 and FY 23 this will be the most profitable crop for farmer and I can bet on any crop because normally farmers in Andhra Pradesh, Telangana where farmers are doing very well between INR 4,00,000 to 5,00,000 per hectare in these 2 years, per hectare per annum in these 2 years. My sense is that because of this reason, there'll be lot of acceleration in growth of palm and other oil fields in the country.

Nadir Godrej: Right. Balram, you should stress that oil palm yields are higher than any other crop and oil is the commodity that has inflated the most. In addition, the oil palm produces a lot of biomass and that has become very valuable because petroleum prices are so high. So the oil farm trumps any other crop today.

Balram S. Yadav: So normal traditional oil seeds like mustard, soya, cotton seed, groundnut, etc. they produce about 350 to 700 kg of oil per hectare, oil palm produces between 3.5 to 4 tons in Indian condition per hectare, and apart from biomass you won't believe that the kind of biomass we produce in our factories produces eight megawatt of electricity per day, so we don't buy any electricity in our oil palm factories, which are very, very energy intensive and we have a stream of revenue from biomass, which is converted into briquettes.

Falguni Dutta: Okay, sir, one more question related to this, also a basic one. On what basis do we pay the farmers? I mean, its linked to what?

Balram S. Yadav: It's a fair formula. So it is a formula which has been given by the central government and implemented by states, unlike, sugar cane. We pay as a percentage of oil price of that month so when the oil prices increase, the farmer gets paid more, when the oil prices decrease, farmer gets paid less and it comes to something like 78.5% of the oil price goes to the farmer, which is very fair formula. Now we don't have many marketing expenses, etc. because we are sellers of crude palm oil and palm kernel oil to the refiner, etc. so our fixed costs are low, whatever variable costs are there. So our profitability is very high in inflationary conditions. So that is one big advantage we are having right now.

Moderator: Thank you. I would request Ms. Dutta to rejoin the queue for follow-up question. The next question is from the line of Depesh Kashyap from Equirus, please go ahead.

Depesh Kashyap: Yes. So thanks for taking my question. Sir, again on palm oil segment, you talked about pricing and the profitability for farmers, but given that palm oil tree takes around 4 years to give the fruits, right. So I just wanted to understand what is the volume growth outlook for this year FY 23? And, do you see any disruption like the white fly attack that we saw in FY 21 to happen this year?

Balram S. Yadav: White fly attack, if it had to happen it would've happened because white fly attack, the peak comes in March and, I must tell you that I think certain amount of trauma from nature as well as government has brought the industry together and one of the best examples have been our white fly control because if one company does white fly it does not help because from my plantation, they go to the other plantation and then they grow there. So I think it was done on community basis, total private sector effort and we eliminated 99% of the problem of white fly as of now, that is point number one, point number two, we are expecting a growth of almost 17%-18% in oil production this year, about 75% because of volume increases and about 25% because of OER improvements and other efficiency improvement.

Depesh Kashyap: Great, sir and about there will be a pricing growth that will be - we've already seen, right?

Balram S. Yadav: So that I think we'll have to consult Indonesian.

Depesh Kashyap: Right and sir the other question I had was on the ACIJV that you have, right? So that has been doing very well for the last 3 years. So if you can call out what is happening in Bangladesh, is the underlying market also growing at that rate or you are getting market share and which particular segments are doing well for you there?

Balram S. Yadav: So we were number three last year, that is FY 21, in FY 22 I think that market also degrew because Bangladesh also had very severe COVID and unfortunately they did not have the kind of vaccine capability of what we had. So there was a big drop in their industry, particularly in the first quarter that is April, May, June, and they took some time to recover. One of the things is that we still grew about 13% in volumes, which has increased our market share. We were number 3 and I can definitely tell you that we are just knocking the doors of becoming the number 2 animal feed company in Bangladesh. The margin dropped because of logistics issues because 90% of the raw material in Bangladesh for animal feed come from outside and you knew the container situation in the first half of the last financial year. So there were lot of ups and downs, cost increases, freight issues, etc. but I think at 13% growth, maintaining the margin at the last year level was a great show by the team and it has definitely put us at a different level in that country.

Depesh Kashyap: Right, and sir which segments have been doing well, cattle, poultry or aqua?

Balram S. Yadav: The segments which has not done well and this is something which is very interesting learning for us is that fish was under pressure in India also and in Bangladesh also, but poultry we did very well, cattle we did very well.

Depesh Kashyap: Okay, got it.

Balram S. Yadav: Which is the significant part of our business there, almost one fourth.

Depesh Kashyap: Got it, and lastly, sir, you talked about the margin pressure on the shrimp feed segment, but I believe the industry took a price hike in the month of March and again in April. So can you please confirm that Godrej Agrovet also took a price hike and by how much, and do you see the margin pressure easing now?

Balram S. Yadav: Not at all. The cost increases was about INR 9 per kg, the price increase was about INR 5 per kg and the problem is that the price increase has to be negotiated with Andhra Pradesh government and that was a very big problem. Soya meal has come down in last one week because of imports coming. So my sense is that even though the cost increase comes down to about INR 7 to 7.5 per kg we still have to go about INR 2 to 3 per kg to cover the raw material cost only. So I'm saying that, that has become a very tough place to do business, I only can say that.

Depesh Kashyap: Got it, so only INR 5 hike that you took in March, that was the hike recently you had taken.

Balram S. Yadav: Yes. So one of the things is that hike happens on the MRP, then discounts, etc. so what we get is little lower than what we take. The hike was more than 6 and our MRP we will get about INR 5.

Depesh Kashyap: Understood. Thank you, sir. All the best.

Balram S. Yadav: Thank you.

Moderator: Thank you. The next question is from the line of Kashyap from Broadview Research, please go ahead.

Kashyap: Hi, good afternoon, Mr. Balram, just one quick question on the capital intensity in the business, the working capital has kind of moved up while obviously you've seen good earnings growth, but compared to pre COVID where our working capital to sales was quite under control, the working capital has been moving up. So, I just wanted to understand what are your thoughts on working capital going forward and what are the levers we can use to pull it back to what it used to be earlier?

Balram S. Yadav: So, the only places we don't like working capital is debtors in aqua feed and debtors in CPB, which we are trying to control desperately, but we love increase in receivables in Astec Life Sciences, because definitely our exports are growing rapidly and we have currency benefits as well as margin benefits there. We are carrying a lot of stock in animal feed, very good positions in certain raw materials, same in aqua feed. We are sitting on enough SMP and fat to tide over the milk shortage time in the milk business. So definitely I think movement in working capital northwards is largely because of stocks, which we are carrying and less because of debtors. So I'm saying that, that I think, if we do mark to market, we are in good situation as far as stocks are concerned, the only place we are going to be very careful is debtors in CPB and debtors in Aqua Feed

Kashyap: Sure, okay. Thank you.

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

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

Moderator: Thank you. On behalf of Godrej Agrovet Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.