

Godrej Agrovet Ltd.
Registered Office : Godrej One,
3rd Floor, Pirojshanagar,
Eastern Express Highway,
Vikhroli (E), Mumbai 400 079, India.
Tel. : +91-22-2518 8010/8020/8030
Fax : +91-22-2519 5124
Email : gavlho@godrejagrovet.com
Website : www.godrejagrovet.com
CIN : L15410MH1991PLC135359

Date: November 10, 2023

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,

Sub.: Transcript of Conference call with Investors & Analysts held on Monday, November 6, 2023

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

Please find enclosed herewith a transcript of Conference call of Godrej Agrovet Limited with the Investors and Analysts held on **Monday, November 6, 2023**.

The aforesaid information is also available 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)





“Godrej Agrovvet Limited
Q2 FY2024 Earnings Conference Call”

November 06, 2023



MANAGEMENT: MR. NADIR GODREJ – CHAIRMAN – GODREJ AGROVET LIMITED

MR. BALRAM S. YADAV – MANAGING DIRECTOR – GODREJ AGROVET LIMITED

MR. S. VARADARAJ – CHIEF FINANCIAL OFFICER – GODREJ AGROVET LIMITED

MR. ANURAG ROY – CHIEF EXECUTIVE OFFICER - ASTEC LIFESCIENCES

ANALYST: MR. SIDDHARTH GADEKAR – EQUIRUS SECURITIES PRIVATE LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Godrej Agrovet Limited's Q2 FY2024 Earnings Conference Call hosted by Equirus Securities. As a reminder to 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 the operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is now being recorded. I now hand the conference over to Mr. Siddharth Gadekar from Equirus Securities. Thank you and over to you Sir!

Siddharth Gadekar: Thank you. Good afternoon everyone and thank you for joining us on the Godrej Agrovet's Q2 & H1 FY2024 Earnings Conference Call. From the company we have with us Mr. Nadir Godrej, Chairman of the company; Mr. Balram S. Yadav, the Managing Director; Mr. S. Varadaraj, the Chief Financial Officer; and Mr. Anurag Roy, the Chief Executive Officer of Astec LifeSciences. 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 of the 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 the initial remarks. Over to you Sir!

Nadir Godrej: Good afternoon everyone. I welcome you all to Godrej Agrovet's earnings call. I hope you are doing well. Godrej Agrovet continued to deliver a robust improvement in profitability as profit before tax grew by 53% year-on-year in Q2 FY2024. While revenues grew by 5% year-on-year, EBITDA margin improved by 183 basis points in Q2 FY2024 as compared to Q2 FY2023. Except for Astec LifeSciences, all the segments delivered growth in profitability. The domestic crop protection business maintained consistent good performance in the second quarter on the back of good volume growth and realizations in the in-licensed portfolio. Our food businesses continue to deliver healthy volume growth in branded products along with sustainable margin expansion. The poultry business recorded exceptional profitability while the dairy business achieved a good breakeven in Q2 FY2024. In the feed segment cattlefeed and aqua feed categories maintain strong volume growth. In the vegetable oil business, lower end product prices were more than offset by growth in volume of fresh fruit bunches. However, Astec LifeSciences continued to witness an extremely challenging external market environment.

Now coming to the key financial and business highlights of each of our business segments – The animal feed business recorded 16% year-on-year growth in segment results in Q2. The cattle feed category continues to gain market share and maintain growth momentum with 16% year-on-year growth in volume. The aqua feed category also registered 15% year on-year volume growth on account of higher fish feed sales, softening commodity prices and higher realizations in the cattle and fish feed categories led to significant improvements in segment margin in Q2. In the vegetable oil segment, a strong volume growth in fresh fruit

bunches by 17% year-on-year was more than adequate to offset the lower crude palm oil prices and marginal decline in the oil extraction ratio. Crude palm oil and palm kernel oil prices were lower by 16% and 24% year-on-year respectively.

The standalone crop protection segment continues to deliver an outstanding performance in the second quarter as well. Growth in Q2 was primarily led by the in-licensed portfolio and product mix rationalization. Segment results grew by 149% year-on-year with segment margin of 29.7% in Q2. In October 2023, an in-licensed insecticide from Nissan Chemicals Corporation Rashinban was launched. This was a global launch for the first time in India. Rashinban will provide effective protection against the wide range of pests in the chili crop. Along with Hanabi and Gracia, the addition of Rashinban will enable us to serve the entire value chain of the chili crop.

In Astec LifeSciences, revenues and margins were impacted due to continued price erosion and sluggish demand for enterprise products. High levels of channel inventory in export market and continued industry-wide destocking have further delayed recovery. However, the contract manufacturing segment maintained a robust performance on account of a new product. The CMO category revenues in Q2 FY2024 were 3.5 times vis-à-vis Q2 FY2023.

The dairy business maintained positive momentum in Q2 as well and turned EBIT positive. Value-added products revenue grew by 19% year-on-year. With this the salience of value-added products increased to 37% of total sales in H1 FY2024 from 34% a year ago. A higher gross margin coupled with operational efficiencies translated into significant improvement in the EBITDA margin of 412 basis points.

Godrej Tyson delivered another quarter of remarkable performance in Q2 FY2024. The live bird category achieved better than expected results on the back of improved cost efficiency and realizations. This is despite Q2 being a seasonally weak quarter. The Branded business reported healthy volume growth of 14% year-on-year. Our joint venture in Bangladesh ACI Godrej recorded a revenue growth of 13% year-on-year on a local currency basis in Q2 FY2024. This was mainly driven by higher volume as compared to Q2 FY2023. That concludes our business and financial performance update for the quarter. With this I close my opening remarks. We will now be happy to take your questions. Thank you.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Abhijit Akella from Kotak Securities. Please go ahead.

Abhijit Akella:

Good afternoon Sir. Thank you so much for taking my questions and congratulations on good set of results. Just two broad topics I wanted to understand. First on the market share gains in animal feed especially cattle and aqua, if you could please just help us understand what exactly the reason for this continued market share gain is and whether you would expect to continue this across all the animal feed categories going forward. And the other one was just

with regard to Astec LifeSciences. Given that is there some sort of discomfort that we might be encountering from customers with regard to our own domestic business when we sort of pitch for contract manufacturing tie-ups with them, is that sort of a hurdle that we need to cross and if so how do we overcome that hurdle? Thank you so much.

Balram S. Yadav: Thank you for your question. I will answer the animal feed question and Mr. Anurag will take the Astec LifeSciences question. Two reasons why we have improved market share in fish feed and cattle feed. In fish feed, we commissioned a plant in UP last year, which came into full capacity this year. So, it is mainly because of geographical expansion that our market share is increasing. Now we are present in UP, Bihar, Madhya Pradesh, Chhattisgarh as well as Assam and we are improving our presence in West Bengal. As far as cattlefeed is concerned again I think our dominant position in Maharashtra is further strengthened because we commissioned one more plant of 10,000 per month capacity in June this year and in Maharashtra we have more than 20% growth over last year in Q2 because of that new capacity. So, we believe that we continue to increase the market share in cattle feed and the fish feed category.

Anurag Roy: For your question on Astec LifeSciences I would assume you mean that our domestic sales coming from CPB and B2B versus the Astec CMO business, right?

Abhijit Akella: Yes. So, just to clarify what I meant was that given that we have a domestic branded business as well, is that a source of discomfort for potential customers with whom we might be engaged in negotiations and discussions?

Anurag Roy: CPB has been our base business right from the start and Astec also been positioned within the fungicide things and having our relationship with the innovator. We do not see any conflict when it comes to getting more CDMO business for Astec LifeSciences primarily because our ways of working with the innovators are completely based on relationships, complete transparency, also leveraging the unique sets of technology platforms which Astec has. So we have been very clear in those communications right up front with our customers giving very clear indication on what CPB brings to the table and what Astec brings to the table, and as most of us are aware we are a separate listed company, in lot of cases we have very clear firewalls wherein there has been no exchange of information and in few of the cases our contracts are also set in such a way wherein we have very clear clause that there will be no conflict going from B2B to B2C zone unless and until approved by the customer. So as of now we have not seen any of those conflicts arising and I think our approach would be to work with transparency with the innovators and highlight all our strengths in both the businesses area and then move forward.

Abhijit Akella: Got it. Thank you so much for answering my questions and all the best.

Moderator: Thank you. The next question is from the line of Lokesh Maru from Nippon India Mutual Fund. Please go ahead.

Lokesh Maru: Thank you. Sir I have few questions on the feed segment to start with what is the EBITDA per kg at this point for the segment and what is the outlook going forward into Q3 and Q4 on margin front?

Balram S. Yadav: EBITDA per kg?

Lokesh Maru: Yes.

Balram S. Yadav: This quarter EBIT per kg was about Rs.1531 per ton. So normally we have seen in H2 our EBITDA is about 10% to 12% per ton higher than H1, so we believe that we may average anything between Rs.1650 to Rs.1700 per ton in H2.

Lokesh Maru: Cattlefeed segment obviously is doing quite good consecutively for last two years, but what is happening in the broiler and layer feed segment, which is dragging the performance of this?

Balram S. Yadav: Cattlefeed I think one thing which is happening is which also is reflected in our streamline dairy businesses number of cattle increased, which was not the case for last two years that is why you saw secular increase in milk prices. The second thing is that milk prices are still okay and remunerative that is why there is lot of category conversion. Apart from that one new capacity in Maharashtra has also added to our market share. As far as poultry is concerned I must tell you broiler keeps on going up and down and that the market is also shrinking because of increased integration. But we used to have very dominant position in layer feed, we still have dominant position in layer feed, but once in two, three years it happens when the egg prices go down there is excessive cutting of layers, so we suffered because of that and that is why you see a 17% degrowth in layers. It is not that people have stopped eating eggs it is just that there is a gap in production right now. My sense is that within this quarter itself you will see our volume growth in layer feed happening. So, worry is only broiler feeds and for other segments we are okay.

Lokesh Maru: Last question from my side is on the oil palm segment. Our volumes have been up 17% but average realization has been down equally, but still if we see the segment results they have been positive 10%, so where is the disparity in these two numbers I mean the decline in realization is enough to offset the volumes, so how are we still growing 5% on topline and 10% within palm oil?

Balram S. Yadav: For us the realization came down by almost 16% per metric ton in CPO and about 24% per metric ton in PKO. The segment revenue has grown by 10.5% because of increase in FFB volumes by 17% that is point number one, point number two we had some left-over inventory from Q1 which was disposed of in this quarter and about small part has been contributed by

that. Now we are not crude palm oil player we are in refiner now so just slightly better realization from the output of refining CPO.

Lokesh Maru: So, this segment should continue to post better results as we have started refining now, right?

Balram S. Yadav: Yes, so one thing which I must tell you that what refining has done for us is that every year we used to have lot of discounts on CPO because of FFA. Since the demand would be very patchy when we carried the oil in our factory for some time, the FFA increased and there used to be a discount for higher FFA. There is no discount this year so that is point number one. And point number two is also that the number of customers for olein, etc., is much more than number of customers we had for CPO, so that is one advantage, so the price realization and price discovery is better.

Lokesh Maru: Sure, Sir understood. Thank you so much.

Moderator: Thank you. The next question is from the line of Rikin Shah from Omkara Capital. Please go ahead.

Rikin Shah: Hi, my question is for Anurag. I wanted to understand what the inventory positioning was as of March 2023 versus now, so we had 295 Crores of inventory as of March 2023 and 214 Crores now, so I wanted to understand how much of high-cost inventory back then and how much remains now?

Anurag Roy: From Q1 as you would have seen there has been almost 85 to 90 Crores of depletion in the inventory levels which we have seen and at a very broad level without getting into the specifics I would say almost 40% to 50% depletion has happened for the high-cost inventory and the remaining is for the CDMO inventory which we were carrying, so that is the overall picture from the inventory perspective.

Rikin Shah: In terms of spreads for the enterprise molecules now, so are the RMs currently suitable to make a good EBITDA margin at current pricing?

Anurag Roy: Clearly the RM prices on most of these enterprise products have also come down significantly, so if we look at the domestic market based on the existing RM prices you could still make a single digit contribution margins assuming that the players are vertically integrated to a particular degree, but on export markets still the RM prices are not low enough to make positive contributions, so that is the situation right now on some of these enterprise products.

Rikin Shah: That is it from my end.

Moderator: Thank you. The next question is from the line of Aejas Lakhani from Unifi Capital. Please go ahead.

Aejas Lakhani: Hi team. My first question is for Anurag. Anurag could you just call out what exactly is happening at end customer level from a stocking/restocking/destocking perspective please?

Anurag Roy: I think this has been a very common question which we are getting from the last two, two-and-a-half quarters and we are also accumulating lot of this information based on our primary research with the customers or what we are hearing from the market. So right now we still see some amount of destocking happening in the global markets. It seems like in September, October at least on the price front the bottom has been reached. In Latin primarily in Brazil which has been the root cause for all these destocking from a year or so, it seems like it should even out and that is again based on some of the customers we have been talking and some of the industry players. By end of this quarter or early next quarter as the demand start picking up, destocking or the excess stock in the market at least for the Latin followed by the Europe market should be more or less evened out. For US, we are getting mixed response from our end customers as well. In few of the cases they are still not coming back with the 100% level of the volumes they were historically buying from us. It is ranging anywhere from 30% to 50%. So just based on our limited customer profile it is giving us an indication that the destocking or the inventory levels at least in the US market might take at least two more quarters to even out. So, that is how the situation is on the destocking level. There has been a positive sign that demand potentially coming back in December-January because of the season for these markets and obviously it has been muted for almost the entire previous season, so there is an expectation that demand is likely to come bac. But we would see significant pressure on the prices. That is how things are on the supply demand side, the destocking by various regions and what we are picking up from the customer.

Aejas Lakhani: Got it, that is helpful and secondly the run rate that you have seen on the CMO side can we expect the run rate to go into the second half because typically second half is better than your first half so your comments on that and then going into 2025 how should we think about the CMO business and at what size and reach capacity that you require additional capacity to grow there on?

Anurag Roy: So our goal as we get into H2 is at least to get to our H1 numbers for CDMO because on H1 as well we have really pushed the pedal on CDMO. We are expecting that we will do H2 as good as H1 as we get into this year. But, as we have indicated in our previous calls as well our focus is heavily on CDMO. There is a good amount of pipeline business which we have generated now based on our new R&D center as well. We continue to maintain these growth rates. Obviously we have been doubling our CDMO business over the last two years, it was from a smaller base. As we move forward, anywhere say in between 25% to 40% year-on-year growth is what we expect on the CDMO side of the business. In terms of the bottlenecks, we have been realigning our existing asset footprint which we have primarily in Mahad to

bring out as much CDMO as possible with new investments in the herbicide plant. But clearly we would need more investment in Greenfield, which we have announced or spoken about in the previous investor calls as well. As we move forward over the next year, we would definitely need to commercialize some of our Greenfield Investments. So that is how we see the CDMO business growing 25% to 35% year-on-year. That is our target and investments as and when we keep scaling up the business year-on-year.

Aejas Lakhani:

Got it thanks for that. Balram Sir my next question is for you. One is just a data point if you could speak about what is the OER today and since you have been gaining market shares in cattlefeed and vegetable oil is on a good footing with the outlook quite clear in terms of FFBS and the refinery and the traditional crop protection businesses in good stead today I want to speak to you about capital allocation on your dairy and the Tyson's food business. As you are aware that it has been implying a lot of capital and not generating returns and the trajectory that you have exhibited is you are following that path, but when can we expect the segmental improvement so that the capital employed is justified there?

Balram S. Yadav:

First question was about OER. So Q2 FY2023 OER was 18.41%, Q2 FY2024 is 17.91% and if you remember in my last call I said that this erratic rainfall started early and then there was a gap since happened affects OER. But I must also say that there is a very smart recovery month-on-month and we crossed 20% in October, in September we crossed 19%, and we are holding above 20%. And the good news is that it is raining again in some of our plantation areas and if this continues for another 3, 4 days more we would like you to have more FFB and better OER in whatever season is remaining. So that is point number one. Point number two, you ask me about capital employed and capital allocation. Rs 246 Crores have been capitalized this year; we have made investments. Of that major chunks have gone into Palm plantation and the Astec LifeSciences business with a new herbicide plant. As Anurag said that we would need this capacity once we grow CDMO business, which is just around the corner and we are very confident that we will utilize it. In the oil Palm, we did refinery and solvent extraction plant, and I told you earlier about the benefit we are getting in terms of better price, no discount because of FFA, etc., and we believe that these investments will pay much faster than we had envisaged because the efficiencies are very good. Lastly, the dairy business, the dairy business I must say is that EBIT positive in Q2 and there is a major improvement largely because of efficiency improvement. If you want some numbers I can tell you that last year our contribution in H1 was Rs. 55 Crores and we have gone to about Rs. 92 Crores this year. Half of it has come from definitely reduced milk prices, but also the other half has come from volume growth and net efficiency improvement and product mix. I must also say that we are taking help of consultant for last 7-8 months to improve efficiency and it is only with efficiency of about Rs. 15-16 Crores that come only from August onwards when the project has been implemented. My view is that not only we will break even this year, but we will also turn profitable. However, the focus will also always remain on value-added products and that is where you will get maximum benefit and we are glad to say that

as compared to last year our salience in the first half has gone from 34% to 37% in spite of the fact that it has not been a very good year for beverages because of erratic rain, it rain when the seasons only speak, so it affect all this. So we are very conscious about capital allocation, I can definitely say that no further investments in plant, in both the food businesses, animal feed business, aqua feed business, only the focus is oil palm plantation in Astec and Astec definitely we believe that once the kind of traction we are getting in the CDMO business we will continuously invest in capacities in future because that is more insulated and more sustainable than the entire business so that salience has to go beyond it.

Aejas Lakhani: Just one last question on the traditional crop protection side. See you have now the portfolio of Gracia, the new product that you launched Rashinban, so is it the same sales channel or you are expanding the sales channel as well and is it the same dealer network or are there different sort of distribution touch points?

Balram S. Yadav: I must tell you that both have happened. One is because of these wonderful products our quality of distribution has definitely improved and of course quality looks good because we suffered last year and after that we have put lot of controls in the business, so we are ready to suffer loss of sale, but not create toxic inventories and debtors. So, that is the motto we are going with. But I must also tell you that because of Gracia and now Rashinban which are coming these are insecticides which are for vegetable crops and we got label claims for chilly already which consume 10% of the total insecticide, pesticides sales in this country. So, we are making forays into vegetable crops which were a weak area for us, so I think in those areas we have increased our distribution in numbers also. I will tell you that I think it has taken some time to get registrations, etc., COVID 1, COVID 2 has taken a toll on lot of our hygiene issues, but all this is behind us and there is a decent pipeline of products we have right now, so we have almost six products to be launched in next three years.

Aejas Lakhani: So this is in-licensed right incrementally?

Balram S. Yadav: Yes, some are in-house also which are the mixes, and some are in-license, yes.

Aejas Lakhani: Sir you mentioned that the quality of distribution has been enhanced could you give me some color on what that really means?

Balram S. Yadav: Quality means that the size of the distributor is very important because if you really ask me in agri business distributor is also the bank account.

Aejas Lakhani: All the best and thank you.

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

Viraj: Hi thanks for the opportunity. Just couple of questions on the Astec part of business especially on say Tebuconazole and Propiconazole what you talked about the contribution margin which we are earning right now, so in the past we talked about three, four major players from China which used to drive the overall market dynamics, so if you can just probably give some color in terms of overall capacity are we seeing any further addition in this, so molecules are generally also in conazole and any signs in terms of market adjustment you are seeing if you can comment on that?

Anurag Roy: I can talk broadly not specific to these two products, but in terms of those market segments clearly we do not see more capacities coming in the market in fact over the last couple of quarters we have seen reduction or in terms of closure of some of the plants or the capacities because of the reduced demand or the destocking that has been happening in the industry, so there has been muted demand on one of the old products which you talked about wherein the demand has not come for the last three quarters, the swing is almost 60% to 80% in terms of demand uptake. On the other product I would say in some of the zole products you still have demand that has come back, but there is an overcapacity situation from China and China particularly in the export market has completely detected the price points, just take on more volume, so that has also led to a lot of these companies not able to sell into the export market or sell at margins which are even less than their production cost or even at negative contribution. So I think the entire fungicide segment if you would see the current growth scenario they are the worst hit, the domestic market had some green shoots but the first season has not kind of pushed the fungicide market too much, the second the coming season there has been some good hopes that there could be some green shoots coming in within this segment of this old segment from the domestic market and as a season open up for Latin, North America and Europe we might see some demand evening out but prices might take a little bit longer to still come back to the previous levels. So extremely challenging market conditions which we are facing in the zole segment and might take another quarter or couple of quarters for us to get back on the margins which these products were fetching us historically.

Viraj: So you talked about the overall in last couple of quarters you have already seen some amount of capacity adjustment happening still you kind of seeing the current prices they are not making any money at the contribution level in exports, so what is the level of overcapacity you are seeing in the marketplace and other than China say in last three, four years have you seen any other capacity or have you seen increase in number of players in the overall zole space?

Anurag Roy: That is the biggest question which all of the companies are toying with how much amount of excess capacities are there in the market and that is where the destocking which we are seeing. I think we also got the assumptions wrong as we got into this year we were thinking excess capacities could be 20%-30% of the total global market, but what we are finding out is we

are almost at 60%-70% and still we are talking about destocking, so it would let me to believe that almost a year, year-and-a-half long of stocking has happened with the onset of COVID period and due to the supply demand shock over the last year, year-and-a-half, but again these are just based on our analysis or our position right now and very difficult to comment anything beyond this.

Viraj: Just two more questions. Again, other than the Chinese players there is no other change in the number of players either from India or outside India or China in the zoles, is it more new players have entered the space in last three, four years or they are the same players but maybe the expanded capacity from existing players?

Anurag Roy: No new player we can confidently say at least in this segment. When China came on board in January there has been increase in their capacities particularly for the export market because I think they came up with a strategy that they have to just flood these markets on whatever demand that is out there by crashing the price point. So, they briefly increased the capacity that time because historically lot of the China plants were running at lower utilization rates. But, after that I think what we have also picked up is lot of these companies have also cut down or curtailed on their capacities now. So slowly and steadily with the destocking happening the supply demand situations are returning back to the original positions as we have seen historically.

Viraj: The enterprise CDMO mix if you can just get for H1 on this quarter and in CDMO if you can just give some more color in terms of how many molecules and how many customers we cater to what else we have?

Anurag Roy: I think historically what guidance we have given is three or four new molecules every year is what we kind of work with the target with the new R&D center coming have bumped up those new molecule target to almost double and that is the goal which we are working on right now, so we plan to have 6 to 8 at least molecules at any point of time so that 20% to 30% of that we could easily commercialize year-on-year basis so that is the goal of the plant which we are working on.

Viraj: The CDMO Enterprise and also in terms of the existing business which we already cater to, how is it spread in terms of the number of molecules or customer base?

Anurag Roy: We could even connect offline for more details or discussions on this. On the existing one as you clearly know we had four to six molecules which are in different stages of scaling up, so there are couple which are almost at the stage of commercialization, there are others which are almost getting to the stage of commercialization over the next one, two years, but we can take this offline in more detail.

Viraj: Understand. Good luck.

- Moderator:** Thank you. The next question is from the line of Jegadees Sharma. Please go ahead.
- Jegadees Sharma:** I have one doubt on Astec new plant, what is the timeline for getting it commissioned and what is the peak capacity which it can do and what is the topline and EBITDA margin can get there can you please share that?
- Anurag Roy:** Yes, on the herbicide plant, the second herbicide plant has been from the capacity size perspective it is exactly the same as the first one and our guidance remains the same as we had put it for the first herbicide plant that we would fully utilize this plant in two-and-a-half to three years with an asset turn of 1.6 to 1.8. So we stick to those guidelines as we commercialize this second herbicide plant and we are working our teams are doing a great job on commercializing or bringing it to potential, commercial level over the next 3 to 4 months. So we still keep that indication that by end of this financial year we should be able to commercialize our second herbicide plant.
- Jegadees Sharma:** So what is the top end margin?
- Anurag Roy:** We normally do not get into those details, but as I mentioned if you are bringing in Rs. 100-120 Crores of investments, if you look at the asset turn of 1.6 to 1.8 and CDMO business roughly 5% to 7% higher contributions as compared to enterprise so you could do the math yourself here. That is how we kind of looked at it at a very broad level, but obviously our goal is to bring in the molecules wherein we could have maximum asset turn coming from our plans and obviously fetch the maximum margins in utilization, but that is the base.
- Jegadees Sharma:** Last question is you have mentioned that you are expecting CDMO business to grow at 25% to 35% year-on-year so can we take this for the next 3-4 years or five years or you are mentioning it for next two, three years?
- Anurag Roy:** See at least for the next two, three years because you will also appreciate we were growing from a very small base two, three years back our numbers were in only two digit less than 50 Crores, 40 Crores, so initially you could easily double it up and you could grow at 40%- 50% but then from that base we get to higher than the industry growth rate number. So, if industry is growing at 10% or 12% we will aim to grow at 15% or so that is how we see it from the growth perspective.
- Jegadees Sharma:** That is all from my side. Happy Diwali. Thank you.
- Moderator:** Thank you. The next question is from the line of Rikin Shah from Omkara Capital. Please go ahead.
- Rikin Shah:** Thanks for taking my question again. I just wanted to ask on the CDMO what kind of molecules are we now being able to target with the new R&D coming in and earlier we were

targeting \$10 to \$15 million proprietary genetic molecule so now in terms of the current basket and the new ones coming in like how does that change?

Anurag Roy: Sorry I missed out on the last part you mentioned earlier we were targeting \$10 to \$15 million?

Rikin Shah: Size proprietary genetic molecules and now with the new R&D coming in does that change the size of the molecule that we are targeting?

Anurag Roy: See one is on the size of the business or the size of molecule, yes historically we have not had a proven molecule or a CDMO project wherein we have looked into large volumes scaling up to 1000 plus metric tons so now with the new R&D Center we definitely are in that position to even focus or target those molecules and that is at top of our list to get some of those molecules in our kitty. So that to answer your later part of the question. Your first part of the question was what kind of CDMO business at a very broad level there are three components of CDMO business which we are targeting based on our new R&D Center one is with the innovators starting with the contract development holding their hands right up to commercial phase so that is one innovator pipeline business which we are targeting. The second one are some of these enterprise products or generic products which are to be licensed out by the innovator it could be either exclusive partners or one of the few partners from these innovators so that is the second pillar of our CDMO business, and then third is one of unique chemistry business coming in from innovator either in the enterprise space or could be the innovator space. So I think those are the three different categories of CDMO business which we are targeting across the innovators. Historically Astec has done a good job in developing relationships in Japan we have further deep dive into it, we have recently increased our foot strength in Japan as well to get closer to our customers in Japan with a local presence and then we have also actively started working on CDMO players in the western geographies in US and Europe market.

Rikin Shah: Thanks a lot. That is it from my end.

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

Manish: Hi Sir, first of all congratulations for a good set of numbers. My question is to Balram Sir. Can you tell me how much growth can we expect in the oil palm business in terms of mature plantations if in acreage you can tell?

Balram S. Yadav: There will be two phases of growth which we are talking about long-term so we will have close to about 8%-9% organic growth in FFB arrival and about 2%-3% added to it because of our productivity improvement initiative through our one stop shop called Samadhan proper fertilization proper management. So next three to four years you will see a 12% to 14% CAGR as well as FFB arrival. With the start of NMEOP scheme last year, we have upped

our game in terms of area coverage. Since FY2023 we were covering 3500 to 4000 acres hectares net and from this year onwards we will be covering 10000-to-12000-hectare net because we got more allocations in Telangana and Northeast and to give you a flavor is that our industry capacity in the first half of 2023 was about 1.2 million and today it is about 3.2 million seedling. So you will see a big growth coming in when these plantations come into production 5 years from now. So 12%-13% will jump to 17%-18% in four, five years.

Manish: How much area is matured just a flavor of that how much area is exactly generating revenue?

Balram S. Yadav: So about 60% of our area is mature and about 20% is between 4 to 8 years and about 18%-19% in 0 to 4, but this segment of 0 to 4 will grow in a big way from FY2024 onwards.

Manish: Crop protection business is doing quite well I am just concerned the margins are sustainable; the margins which are showing right now, are these margins sustainable for the coming quarters also?

Balram S. Yadav: I think it also depends on season I must say that we had very good season for our renowned products particularly Hitweed and Hitweed Maxx and we broke all records. I think one of the reasons is that it rained on time and it did not rain on time also because plenty of times we used to have a problem that it is not raining on time and then it rained it rained a lot so that the farmer could not go for spring, so we were a bit lucky here, so we had very minimal return. The other big thing happened was this Gracia proved to be a blockbuster product, we were left with zero inventory at the end of the season and most of the sales were either on cash or on very controlled credit so I think lot of things have gone right. We would like to believe that with the introduction of new molecule year-on-year we will be able to probably keep the ballpark margin same in time to come. Having said that I must also use a caveat that it is also dependent on that.

Manish: For next half can you just tell me how much the business is studied in first half and the second half of the year like for last two quarters?

Balram S. Yadav: First half used to be three fourth of the business the two more molecules first half will be something like 60% and second half will be about 40% and my sense is that in case Rashinban gets full if we get more label claim and we get to full potential it might become 50/50.

Manish: The direct proposition what is the percentage there have we increase some percentage in direct proposition of the milk there or not?

Balram S. Yadav: In H1 FY2023 direct procurement was 19%, in H1 FY2024 it is 28%. This is forecast I am telling you most probably next year H1 it will be more than 40% I would not be surprised if that is 50% also.

Manish: According to our growth margins, according to our peers in the particularly dairy business or there is something left in?

Balram S. Yadav: So there are two things which we should keep in mind one is the level of value addition and scale. So people we compare with are Hatsun, Heritage and Dodla, all of us are bigger in scale, as far as we are concerned and Hatsun has a decent amount of value addition. So just give you a flavor that Hatsun has about 29% gross margin, Heritage is about 18% gross margin and Heritage gross margin has dropped because they sold some bulk also so maybe they will be at 22%-23% and Dodla is at about 24%. And this quarter that is Q2 we have reached about 21.2% which is a 5.3% jump over the same quarter last year and in my calculation the efficiency benefits coming in I think on overall year basis we will finish between 23% to 24% and I think next terms of improvement will come from increase saliency because most of the efficiency benefit will factor in, in this year.

Manish: Firstly our dairy plants are working right now so we have the enough capacity to cater that demand or do we need to put some more capital into the business?

Balram S. Yadav: No, I think that is all we did and I answered all the questions you asked on capital allocation also that time, so we have adequate capacity in both value-added products and in milk and whatever capacity is needed for some short shelf-life product hardly cost anything maybe Rs.2-Rs.3 Crores a year. That is all.

Manish: Can you just give some guidance for the topline and PBT margin?

Balram S. Yadav: One thing I must tell you with our efficiency improvement drive we have dropped some volumes also in-build in non-remunerative geographies where we were stretched in terms of supplies now the milk costs were very, very I would say benign, it was a profitable business for us, but no longer with milk cost and logistic cost both going up, so my sense is that this year we might grow about 11% to 12% in topline and we will cross breakeven most probably even by January or February.

Manish: The consolidated guidance if you can provide any and the PBT margin on a consolidated chunk?

Balram S. Yadav: I would think the black box we have at LifeSciences and most of our assumptions have gone wrong in terms of estimates of what kind of inventory overhang we have. So I would refrain from making any guidance here because I think what we assume for Astec will be just conjecture but let me just tell you one thing is that significantly better than last year.

Manish: Yes.

Moderator: Thank you. Ladies and gentlemen we take that as the last question, and I would now like to hand the conference over to the management for closing comments.

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

Moderator: On behalf of Equirus Securities Private Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.