



GIL Analyst Meet June 15, 2010

Anoop Poojari: We are here to discuss the company's various businesses in greater detail and future growth plans. We have with us on the dais Mr. Adi Godrej, Chairman of Godrej Industries; Mr. Balram Yadav, CEO of Godrej Agrovet; Mr. V. Srinivasan, CFO and Company Secretary of Godrej Industries. We will also be joined by Mr. Nadir Godrej, Managing Director of Godrej Industries in a short while. We would like to begin this forum with a presentation by the management following which we will have a Q&A session. After which the management will be happy to continue with the discussions over high-tea. I would now like to invite Mr. Godrej to open the session with the presentation.

Adi Godrej: Good afternoon. Thank you for joining us today. This is the first analyst meet we are having on Godrej Industries. We wanted to have these things earlier, but because of the long gestation for the Draft Red Herring Prospectus of Godrej Properties, we were prevented from doing so. Now that Godrej Properties has been listed, this is a good time to give the investor and analyst community a detailed idea of Godrej Industries which we think is a tremendous story for investors. I would now like to start the presentation. Later on, the others will take on. So just a little overview, Godrej Industries is part of the Godrej Group. These are some of the details of the Godrej Group. It is a diversified business model and I think this company leverages the India growth story very strongly. It is represented in very-many of the growth sectors and I think it represents the Indian growth story extremely well both urban and rural, both domestic and global. These are the various important parts of the business,, there are other parts to it. Chemicals is the business which is in Godrej Industries. an Oleo-Chemicals business, we are leaders in India - very export oriented. Godrej Agrovet is a tremendous story. It is a large company in rural India. Balram who is the CEO and Managing Director of Godrej Agrovet will later take you through some of the details on Godrej Agrovet. Godrej Properties has just got listed, as many of you know, in January, and is growing very strongly. We think residential housing, especially relatively low cost residential housing, up to Rs. 25 lakhs per apartment has tremendous demand in India and will continue for many years to come and Godrej Properties represents that business very strongly. It has one of the very interesting and only township within the municipal limits of a large Indian City. Very inclusive township with a college, schools, hospitality, even health care, and of course mainly residential. We have already opened it up for booking and the second phase has just been completed very rapidly. We are embarking on an approximately 3 million square feet Vikhroli development which will be a joint venture between Godrej Properties and Godrej Industries. The profits of this project will be shared, 40% by Godrej Industries, and 60% by Godrej Properties. Godrej Properties will make all the investments, but you must also remember that Godrej Industries owns approximately 70% of Godrej Properties. So we think this will be perfect and will add tremendous value to Godrej Industries.

The FMCG portfolio, we think is very valuable. Godrej Industries holds approximately 23% of GCPL and 43% of Godrej Hershey's which is a foods

business. The Godrej brand advantage comes again and again, but the Godrej brand was re-launched about 3 years ago. The brand has a very strong positioning in the market which is evident in the fact that about 470 million Indians use one or the other Godrej products every day. A very few brands emanating from the developing world, have a larger coverage than the Godrej brands. The businesses that come within the fold of Godrej Industries are on the number one position in many categories, number two is soaps, and number 3 in confectionary. So, a large number of businesses are in the leadership position. Our strategy is best described by the word CREATE - Consumers and chemicals, Real estate, Agriculture, and a major role in Transformation of the group. That is what Godrej Industries does. There is a strong strategy cell which drives the strategy of the group and there are strong incubation cells which incubate new businesses for future growth. We will come to that a little more in detail. GCPL is the main consumer story which has now become the largest domestically owned home and personal care company in India and I would say the second largest in India after Unilever which is the first on a domestic company. Household insecticides have now become GCPL's largest business, over-taking the Soap business.

Strong global growth here. Despite the very strong global acquisition program, about two-thirds of the business will still emanate from India. Strong brands, translate into great growth potential. The Oleo-Chemicals business is a globalized business exports form a sizable share of the total sales. It caters to high growth industries both in India and outside. A lot of our customers are MNCs both in India and outside. We are leaders in Oleo-chemicals in India. We have large exports to a diverse range of countries.

The real estate business is one of the fastest growing businesses in our portfolio. It has huge potential and now a listed company has easy access to capital. This is one of the few businesses in our portfolio which is capital intensive, although our model relative to other real estate development companies is not really capital intensive. We do joint ventures with land owners that de-risks the business, makes it much less capital intensive and allows us to grow at a great value faster. We are across the country and in all the four zones and are currently operating in 10 cities.

Vikhroli is a large development program - The Vikhroli development project is something we are very excited about as it will add a lot of value to both Godrej Properties and Godrej Industries. Our agri businesses expanded in a lot of areas. We are the number one in animal feed in India. The oil palm plantation is again a very high growth potential business. Balram will take you through some of the details. There is great scope, as most of you know that India is a very large importer of vegetable oils. So, however fast we grow, we will be able to market very easily because India is acutely short of vegetable oil and will remain so. We are the largest in branded package poultry and in some agri. input sector. So a lot of emphasis on transformation of the businesses accelerates value creation. We would like to say we are 113 years young. We have got history behind us and we are working on a very youthful positioning for our businesses and our brand. India is a very young country and we need to remain contemporary for most Indians. Our FMCG business is rapidly globalizing. We are mainly concentrating on the developing world. We are across the three developing world continents which are Asia, Africa, and South America and we think the scope of growth in Africa is very strong. We think Africa is at a stage where India was 10 or 15 years ago, and will grow very strongly creating tremendous value in businesses that concentrate on that geography, just as businesses that are concentrating on India have done very well over the last 10 to 15 years. We are emphasizing strongly on talent, both in terms of attraction of strong talent, training of strong talent and retaining the talent. The key elements of our transformation process will be the brand, innovation, a employer proposition, high performance culture, very strong strategic capability and strategic positioning, strategic posture and strong M&A capabilities. It is a journey.

We do not think it is a destination and we expect to continue this journey over a period of time.

What will enable this transformation? Management and business processes. We use EVA as a major financial metric in our group. We have a very strong performance driven remuneration which covers a large part of our employees who have a large part of remuneration through performance linked variable remuneration depending on EVA improvements. We think this aligns with shareholder interest very strongly and creates tremendous value. We do not have any limits on variable remuneration. The sky is the limit. If they deliver results, our employees will benefit. We have a lean but active center which helps strategically very strongly. We have been recognized as a great place to work in many different ways both in India and across Asia in certain cases. We have a strong track record of incubating businesses. We started the animal feed business as a division within the erstwhile Godrej soaps. We used to have an oil cake business, a solid after extraction of oil cakes, which we are no longer in. But we used to export lot of oil cake internationally which used to be used in animal feed. We started animal feed business in India which has grown strong today. We are leaders and some years ago we acquired Hindustan Lever's animal feed business in India. The two together are in a leadership position ever since. We bought a company called Transelektra which is a pioneer in household insecticides. We have grown today to a leading position in Asia in household insecticides. We are also leaders in India. We have just acquired an Indonesian business which is a leader in fast growing household insecticides segment of aerosols and electricals.

We have incubated businesses which we then later exited when we felt were not core to our business, for example, we built a very successful pest management services business. We had earlier built business process outsourcing business. Since these are not core we have exited some of these businesses and we have reinvested the money into other programs. We started a real estate business in 1990 expecting a likely opening of the Indian economy. This has been a fast growing business which has helped us tremendously and now it is set for a very rapid growth.

We are currently incubating two businesses, Godrej Hershey which is a foods business, a strong business in confectionery, and we have food drinks, soya milk, and edible oils. To a certain extent, we do not think edible oils is very core to our on going business and we will soon go into other products in the Hershey portfolio. It is a joint venture with Hershey who are leaders in confectionary in the United States. Nature Basket's is a gourmet and fresh food business which we started with Bombay first, and now it has gone to Delhi and would move to one or two other metros in due course. Thank you. I will now ask Srinu to take you through some of the details.

Srinivasan:

Good afternoon ladies and gentlemen. Thank you for coming in large numbers. We will continue the presentation. I would like to share with you our track record of value creation and then explore the value of underlying assets and other interests. GIL has demonstrated on a consolidated basis a very strong financial performance on top-line as well as on the bottom-line. We have shown a CAGR of 15% on the revenue front and a better 51% CAGR on net profits over the last 4 years, apart from the value delivered through consistent dividend payouts and opportunities for encashment which had been provided through buy backs, a long-term investor, who simply held the stock and did nothing, would have created superior wealth for himself. Godrej Industries share price over the last 9 years has given a CAGR growth rate of 54%, Godrej consumer products has given 42% as compared to the broader market index BSE Sensex which has given 20%, as the graph here shows. Talking of the value of the underlying assets and interests, the chart here shows a significant appreciation in the investments as a whole where we have the

market value of 3 of these investments, Godrej Consumer Products and Godrej Properties which are listed on the Indian exchanges and CBay which is an investment in a medical transcription business which is listed on AIM, London Stock Exchange. The total cost at which we hold these investments is about Rs. 1145 crore. The market value as on 11th June of just the listed investments is about Rs. 5095 crore (4.5 times) and it is growing. . Today it is about Rs. 5180 crore.

This slide gives in a nutshell, the value creation potential in Godrej Industries. I would draw your attention to the graph here. The green line represents the total market capitalization of Godrej Industries from April 2009 onwards. The blue line indicates the market value of shares that Godrej Industries holds in these listed entities. Up to January we have GCPL and Godrej Properties which got listed in January has been added too. As you can see the summation of the market caps, GIL's share of these two entities themselves, have crossed the total market cap of GIL. As of 11th June, it was about Rs. 5000 crore, today it is Rs. 5180 crore. As you have seen GIL has interest in several other industries, many of which are market leaders in their field including animal feed, oil palm plantations, and the oleo-chemicals business, some of the agricultural inputs and as Mr. Godrej pointed out we are also very excited about the opportunities that the Vikhroli property development offers to GIL. GIL would be effectively enjoying 82% of the profits of this venture, 40% directly and 42% through its 70% holding in Godrej Properties.

We strongly believe that GIL offers to its investors a unique opportunity to participate in the high growth sectors in India while derisking from vagaries of anyone industry. GIL's interest in a broad spectrum of industries allows us to capitalize the opportunities offered by both rural and urban markets and by domestic and global market growth opportunities. In sum, GIL provides a balanced portfolio to an investor in one scrip and we are committed to providing a strong value growth to our shareholders and other stake holders going forward as in the past. Thank you.

I would like to invite Mr. Balram Yadav, Managing Director of Godrej Agrovet, to tell you the Godrej Agrovet story.

Balram Yadav:

Good evening. I am privileged to showcase my company before this august audience. I handle Godrej Agrovet Limited. Godrej Agrovet is a company which has 1900 employees. Last year, we did a turn over of about Rs. 1500 crores. We have 4 main verticals as Mr. Godrej mentioned. Animal feed is the biggest vertical. We had Rs. 1100 crore turnover from this vertical. We have the largest commercial feed miller and are market leaders in cattle, poultry and aqua feed. We have the largest R&D center in Asia, for the animal feed business in Bangalore from where we produce cutting edge products. We have a joint venture in Bangladesh which is growing at the rate of about 50% in top-line and about 80-90% in bottom-line for last few years. This is an important business in the food chain, where an important part of the animal protein foods which is the chicken, egg and milk.

Our next business is oil palm plantation business, and its revenue stood at Rs. 64 crore last year. The number looks small, but it is in for rapid growth and I will explain to you how. It has the largest oil palm plantation in the country and the largest area under cultivation in the country which is almost 37,000 hectares and for technology we had a tie up in Goa and Karnataka with one of the big oil palm producers in Malaysia with IJM Plantations.

Our next business is poultry business. Last year its revenue stood at more than Rs. 200 crore. is a joint venture with Tyson, one of the giants in the world, operating in chicken, pork, and beef. Total turnover was more than \$30 billion last year and we had a joint venture with them. We hold 49% stake in this joint venture. Our agri

input business was Rs. 133 crore last year growing very rapidly. CAGR for last few years is more than 25%. Operates in niche products, like plant growth regulators , etc.,.We just came up with one of our in house products which is a herbicide. The interesting point of the herbicide story is that at one time there was no sales for this product because the labour was cheap and the farmer would employ people to take out the weeds from the farm, but now everybody knows that manpower costs have risen several times over even in the agri sector also. This product is one of the star products and great driver of both our top-line and bottom-line.

Apart from this we have an R&D center in Bombay which has a lot of products in the pipeline and some of them I will talk about when I talk about this vertical. It has grown at about 70% CAGR in the last few years.

Animal feed business, as I said, is the largest business and it is our bread and butter. In this business we are market leaders in all segments and we differentiate ourselves from competitors , because competition is still a very commodity play whereas we are a very branded play. We do not compete on price, we compete on performance. We have a centralized nutrition and centralized purchase for tracking efficiency. We do commodity risk management, not by storage or by any long positions, but we manage the risk by making brands. We had 5 brands in different segments which have more than Rs. 100 crore turnover last year.

Apart from this, we have big R&D center that we talked about earlier in Bangalore that produces two or three innovative products. One of the things that I want to mention about my sector, agri sector, is that in the last few years it has really risen to the future. One of the reasons is this, shortage of food which has led to inflation. The big advantage of this inflation has been that our customers, that is, the farmers have got some money in their pockets to invest on efficiencies and grow more. That is why we believe that the future belongs to solution based products. The future belongs to products that drive efficiency in this sector and we are very well placed because we are the only company in animal feeds, particularly, which has got such an R&D setup.

I would like to mention that these sectors are growing rapidly with dairies growing at 6%, the input being our cattle feed, the poultry is growing at 12%, which is our boiler feed as well as Godrej Tyson Business. The aquaculture is growing at 10%. In shrimp feed we are one of the market leaders and 3rd in the country. The big story in the animal protein business is because of modern retail, B, improvement in the per capita GDP and the change in the dietary norms. I think that this will drive rapid growth in the sector.

We started ACI Godrej 5 years ago. We had built a very big business in animal feeds and poultry and we continue to grow at this rate. Probably this year we will touch about Rs. 250 crore. Oil palm business, one of the valuable businesses is right now small, but it will be big in the next 5 years going by whatever we have done in last few years. The turnover of this business is going to triple. The reason is that out of 37,000 hectares we had, almost 27,000 hectares have been planted in the last 4 years which will start yielding from this year onwards. So this business will have a very rapid growth in the future. Everybody knows the oil story. We import 2/3rd of the oil so whatever we produce will get sold easily,. We are an edible oil deficit country and GAVL will have 35,000 hectares in the areas allocated to us in the states of Andhra Pradesh, Goa, Orissa, Tamil Nadu, Gujarat, and parts of Karnataka. The total potential is 200,000hectares.

Poultry business hastwo brands. Probably non-vegetarian people present here would have know these brands because Real Good Chicken is a 7-year-old brand and Yummiez is a 4-year-old brand. This business is now in a joint venture with

Godrej Tyson who are the non-vegetarian food giant of this world. Real Good Chicken has got 20% market share and Yummiez will be a faster growing brand in quick serve restaurants in this segment. With the advent of modern retail, both these products are rapidly growing. In the agri input portfolio, we have niche products like plant growth regulators which is the most famous plant growth regulator available in the market. Apart from them we have products like Combine, which are growth in regulators in grapes which are very famous with farmers in India. We have businesses experiencing rapid growth, as I told you, of 27% CAGR for past few years and has 140 people, 2800 distributors and dealers. We are represented in 300 important agri districts in this country. The two products that are in the pipeline are rice herbicides and bud breaking enhancers which would revolutionize the grape production in this country.

Apart from this, we are looking at emerging opportunities in this space. One of the opportunities is drip irrigation. Enough number of reports from different institutions including World Bank appeared stating that supply of water will be short and demand will outstrip supply in times to come. 70% of water available in the world is used for irrigation. The current usage is flood irrigation where 40% of water is wasted. Drip irrigation is a solution for that and we have oil palm plantations where we ask the farmers to move to use drip irrigation as we know the benefits. It uses half the water and 25% increase in the yield happens. Today, the startup cost of a drip irrigation system in spite of subsidies by the government is high. We are working with some startup companies and innovators to understand if we can lower this cost. This industry is likely to have a very rapid growth in future. The second area we are working on is our oil palm business when we take this route to take out oil from them. There is lot of fibre and empty fruit bunches which are left. We produced our own electricity in our oil palm mills and today we are poised for rapid growth. We have the required biomass to explore opportunities to produce commercial electricity either by burning it or by gasifying it. We are looking for world class technology in these areas. The third area is hybrid seeds. We have already entered this area through corn seeds with a technology tie up with the startup companies. We are exploring this sector. The good thing is that we have such a great distribution network and relationship with the farmers that in a trial stage itself we have 1% of the share of the corn market. Once we come up with our own germ plasm, we believe that this business can also be a very big business. Apart from corn we will also look at rice seeds.

Adi Godrej: We have a lot of further information in the annexure in the booklet that we have circulated. We won't present them, but you may like to go through it.

Nadir Godrej: I would like to emphasize after Balram's presentation that Godrej Agrovet has a very bright future. Our mission is to improve the productivity of Indian farmers, by innovative products and services that sustainably increase crop and livestock yields. The government's focus is now on the rural areas because rural development is not keeping up with the urban development and 70% of our population is in rural areas and many of them depend on agriculture for their incomes and so we see a very-very bright future for this in the verticals we are present in and we also have the potential to explore other verticals adjacent to these. The Godrej brand is a very strong advantage to our group. It goes across the group and it sustains throughout the group. It stands for trust, reliability, and superior quality at affordable prices and all our four important businesses will play an extremely important role. I would again like to emphasize on our create strategy. Create stands for our 4 businesses; consumer, chemicals, real estate, and Agrovet. The T stands for transformation. We have shown that we have transformed these businesses, created value from these businesses and the E stands for emerge. We will look into new areas, startup new business, and bring them to the market. As I can discuss, we have an excellent value creation track record with a 54% compounded growth from June 2001 to June 2010, while the

SENSEX has grown at CAGR of 20% during this period. We have extremely strong assets, but even more important we have strategies to unlock the value in these assets and we see a bright future for our investors. Thank you.

Adi Godrej: Thank you Nadir. Now, we are very happy to receive your suggestions or if there are any questions, we would be very happy to answer those.

Participant: Chemical business has been very volatile in the past, so what are the business dynamics there and do you see a sustainable kind of a business model for emerging products in this business?

Adi Godrej: Before I ask Nadir to answer that. Let me say it has not been very volatile in the past. In the recent past, we had an excellent year in 2007-2008, then we had a very poor year in 2008-2009 partly because of the global meltdown where our international customers ordered much less. and, there was a huge increase in commodity prices especially crude oil which led to a high price of vegetable oil which is our input. A lot of Vegetable oils go into bio-diesel manufacture which have a correlation with crude oil prices. So that was a bad year. Last year was a reasonably good year. This year also pretends to be a good year. I would say that we made good money in most of the years gone by. There was one bad year, but Nadir might want to answer that.

Nadir Godrej: I will just elaborate a bit on that. It was largely the global crisis, and the fluctuations in commodity prices were also quite short-lived which was very heartening for us. Our domestic businesses actually held up very well during the crisis. The exports were affected, but exports are picking up. They picked up in volume quite fast and now the margins on exports are also improving as the global situation improves. Fortunately, a large chunk of our business is domestic and that is actually going through a very high growth phase as our user industries grow. One of our user industries is tyres and tyres are in acute short supply today in India. So we expect that with our user industries, we would also grow well.

Participant: Another one on the oil palm plantations business. A chart on slide #33 shows how you are adding new hectares. So right now how many hectares are into production and where are we getting fruits and what are the overheads there?

Balram Yadav: Today, we have 37,000 hectares under cultivation and this year 13,000 hectares have come into production. The age of the hectares is different. Some of the plantations are 12 years old, but if you see from now onwards, very big hectares are coming into production. This year, about 4000 hectares are coming into production out of 12.

Participant: Is there any kind of analysis on the kind of output or kind of profitability per hectare?

Balram Yadav : This is a 35-year-old cycle and the plantation produces for about 35 years economically. First 4th year onwards, the fruiting starts and by 7th year it reaches the peak which is over 18 to 20 tons per hectare and fruit bunches of 20 tons produce about 4000 tons of oil per hectare. So 4 tons of fruit palm oil per hectare is the kind of average you can use for mature plantation.

Participant: It is very encouraging to note that you are developing 2.8 million square feet of land in Vikhroli. You have huge tracts of land in Vikhroli. Any light on future plans for Vikhroli land

Adi Godrej: Yes, Vikhroli land belongs to Godrej & Boyce which is the parent company of Godrej Industries. It owns 60% share holding in Godrej Industries. Godrej Properties has an MOU with Godrej & Boyce. Vikhroli is today an industrial township. We want to convert it over a period of time into an iconic green industrial residential, and commercial township. This will be spread over many years. We will continue industrial activity in Vikhroli for a fair period of time. Over the years because of the tax advantages that we get in places like North East, Himachal, and Uttaranchal, we have moved a lot of manufacturing activity out, but we have very large manufacturing activities continuing in Vikhroli and some may continue over a long period of time. Over a period of time Vikhroli will be developed. This 3 million square feet development which we talked about the first phase of this iconic development.

Participant: Any plans to list Godrej Agrovet in the near future? **what margin is sustainable in this business.**

Adi Godrej: I don't think there are immediate plans to list Godrej Agrovet mainly because it doesn't guzzle too much capital. In fact it is not a capital intensive business. But clearly we will look at opportunities from time to time.

Participant: What is your margin sustainability in this business?

Balram Yadav: It is a conglomerate. We have Godrej Tyson and we have lot of other companies which have other businesses consolidated. Consolidated business was at about 3% last year.

Adi Godrej: This is, all over the world at agribusinesses are high on sales, high volume, low margin business, but our margins are increasing. The return on capital employed is quite high, for example in our animal feed business we work on negative working capital. So there is hardly any capital infused.

Balram Yadav : Last year, we were at more than 200% return on capital employed in animal feed business.

Adi Godrej: Some of the businesses are being incubated. If you look at the poultry business, as we were investing into it, we had losses, now, it has turned profitable. Other businesses certainly are being included. Earlier we had Nature's Basket as a division of Godrej Agrovet. Now we have transferred it as a separate company as a subsidiary of Godrej Industries. So this business will not be as high margin to sales business say FMCG or properties. In-fact the highest margin business is Godrej Properties. FMCG is lower than Godrej Properties. Agrovet will be still lower but return on capital employed will continue to grow.

Participant: **How is Natures Basket doing? Last year performance of Nature Basket?**

Tanya Godrej Last year, growth was much higher and the growth is accelerating. We now have a stronger understanding of this segment and we are in a very strong position in it and we have presence in Delhi which is also very successful and is also an opportunity there is a lot of opportunity there.

Participant: Would you expand rapidly?

Tanya Godrej: There are two parts to it. There is a great opportunity. See in this downturn and how our consumers are very loyal having said that this is not very core to Godrej Industries set of businesses so we want to pace out the growth as of now that our stand we will gauge and decide how best we want to grow in this business.....

Participant: Can you share some thoughts on Hershey? You plan to enter the chocolate business?

Adi Godrej: It is a stated position. The Hershey's main business in the United States is chocolate. Of course, they are in other confectionaries also. We are strongly studying the chocolate business and we will soon enter the chocolate business but it will be done after a considerable study along with market research followed. There will be test marketing and then we will do that. But yes the answer is yes. We will expand our portfolio.

Participant: Hershey Products?

Adi Godrej: Well, we are already marketing the Hershey's very well known syrup and chocolates will be the next Hershey product. Hershey's main portfolio is chocolate.

Participant: Since this company nurtures a lot of businesses in the early stage, in terms of capital allocation are there any laid down norms as in how much of capital will be invested in which core areas of businesses and what are those levels wherein we will do divestiture, etc..

Adi Godrej: Clearly, most of our businesses are not very capital intensive. So capital allocation is not a major problem. The only relatively capital intensive business is Godrej Properties. There also our model there is less capital intensive than other real estate developers. So capital is rarely the issue.

Participant: Godrej Hershey we are almost invested the same amount of capital as Godrej Properties. What is the reason?

Adi Godrej: Because that is the original investment. Godrej Hershey is being developed into a large business whereas in Godrej Properties that development took place 10 years ago. It has been a very profitable business. So it has re-invested its own capital. This is the amount of capital invested at book value by Godrej Industries over the years. Today the market value of that investment is much larger and why are we divesting out some businesses? Take for example you talked about the pest services business. Now that was developed as a part of Godrej Sara Lee, a joint venture with Sara Lee because that company is very strong in pest control products. So together with that we have developed a pest control services business. Sara Lee did not want to remain in the services business. So Godrej Industries bought off that business from Godrej Sara Lee and then developed the business, but later on we found that our core competence does not lie in the services business, that was mainly a service business. Whilst we understood the technology very well, we were not the best in service business. When we got a good offer from ISS, one of the world's biggest industrial and consumer services company, which is a global company based in Denmark, We got a good offer, we readily exited because we do not think that is a core businesses product. Similarly we had a strong business in the past which we have exited from. Even in future it is possible. For example we went into retail, rural retail with the business call Aadhaar, which was rural supermarkets basically and it grew quite well, but we realized for a few strategic reasons it wouldn't make much sense for us to keep on investing in and growing there. One was that it was beginning to compete with our customers, because our customers are modern retailers and secondly retailing is a long gestation business which Godrej Agrovet was not very well suited to take on. So when an opportunity came we have divested 70% of our shares to the Future Group who are very strong in retailing. They have the back bone for retailing. We continue to own 30% but they are managing. So we are basically a financial investor in that business. So this gives you an example of our divestiture philosophy also. So whilst we continue to acquire businesses in many of our

segments, we will also look at divesting the strategic divestitures when opportune and when it fits with our strategic direction.

Participant: Capital allocation in and around businesses.

Adi Godrej: Most businesses are generally able to finance their own capital, sometimes by giving less dividends. Godrej Industries has also invested, so for example in Godrej Agrovet, 2 years ago, we put in about 100 crore additional equity. When Godrej Properties was growing very considerably so we have put up 150 crores of capital. When Godrej Consumer Products had a rights issue again some thing like 2 years ago roughly, Godrej Industries not only took up the Godrej portion of the rights but all the unsubscribed rights were also taken over. So when capital is required in these businesses we have done so. why did we have to have capital in Godrej Consumer Products in that stage when Godrej Consumer Products is throwing up a lot of capital? We clearly were embarking on an international acquisition strategy. The Reserve Bank of India has a regulation that international acquisition has to be a maximum of 4 times of your equity. Godrej Consumer Products has a very small net worth. This rights issue increased the net worth. We are barely able to acquire larger businesses which we would not have done as a result. So that has been the thinking behind.

Participant: I want to know about the agri. Inputs. In the part of agri. business, it is just about Rs. 123 crore last year. There is huge pressure out there in terms of pesticides, herbicides or seeds or drip irrigation. How do you see it panning out in the next 3-4 years?

Balram Yadav: One thing I need to correct is that pesticide business is not growing and the primary reason is because of BT cotton. Cotton was the biggest consumer of pesticide in the past but BT cotton has changed it all. But you are absolutely right I think irrigation is a big opportunity plus another big opportunity, as I said earlier, is the herbicide opportunity. The world over the pesticide market is actually herbicide. So in India also if you see herbicide grows rapidly because manpower cost is really increased so you cannot do physical weeding. So we have already got the cotton herbicide which is growing rapidly and we are also working on the rice herbicide and we are very close to launching that in the next 18 months to 24 months. Now these are the products which are being developed in-house. We have been working on for the last 4-5 years on this project, plus as I already mentioned that we are looking at the opportunities on drip irrigation because I think irrigation is the next big thing in India.

Participant: What about seeds?

Balram Yadav: Seeds, we have already gone in for corn seeds. Corn, because the genetic variability is very high. The combination availability is very-very high because you could have Rabi corn and you can have Kharif corn, you can have different maturities. So, different combinations have different niche markets. So we can exist with big players like Monsanto, Syngentas of the world if you develop particular varieties of corn. We are working very closely with two start up companies who are into corn dealing for the last two years and one of the routes that you will see in this area will be the acquisition of the startup companies once we are sure that they have the required germplasm diversity who cater to the needs of the next 5 to 10 years.

Participant: My point is in the seed segment, if you see companies of the size of Rs. 500 crore and look at their margins they are not best of margins, , is there any game plan in this business?

- Balram Yadav:** Not in this big segment, because in this segment the companies you have mentioned earlier is in cotton seed. So cotton seed is BT cotton actually. 90% of cotton grown is BT cotton and all these people used the BT gene of Monsanto which is licensed to them. So we are not talking about this kind of play, but corn is going to be a big play in future. Corn is one crop which we know very well because we grew 350,000 tons of corn and which we use in our animal feed business also. So corn will be one of the focus areas.
- Adi Godrej:** What would interest us is to acquire smaller startups who have a huge potential. We already have an investment, for example, made several years ago, of 26% in a very successful dairy company in Andhra Pradesh, that is, Creamline Dairy. We have another investment of 26% in the Polchem. So these are the kinds of smaller investments which have a strong future. We don't wish to get into a Rs. 500 crore investment that will become Rs. 1000 crore in three years. We want to get into cater to a Rs. 20 crore investment that becomes Rs. 200 crores in matter of three to five years. That is the kind of investments that we are interested in.
- Participant:** Sir, just a follow up question on the capital required going forward for Hershey's, the business that you are talking of in terms of chocolates coming in; the capital already invested is quite big 50% of your share. You are expecting to explore the opportunities for chocolate business. I think the capital required for that business would also be very high. So any ball park figure on that?
- Adi Godrej:** That is difficult to tell at this stage. You are right, but the company will require investments for growth. We are looking at various opportunities on how to leverage.
- Participant:** Will it be something like getting that company separately listed or it will...
- Adi Godrej:** Not likely for sometime because when we have joint ventures with multinational they would not like to list at all.
- Participant:** So you will have to invest optimal amount.
- Adi Godrej:** And we will invest and we can restructure it.
- Participant:** Thank you.
- Adi Godrej:** Any other questions. If not I would like to invite everyone to join us for tea. Thank you for coming and thank you for your attention.

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