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CIN : L15410MH1991PLC135359

Date: May 12, 2025

To,
BSE Limited
P. J. Towers, Dalal Street,
Fort, Mumbai – 400001

Ref.: BSE Scrip Code No. "540743"

To,
National Stock Exchange of India Limited
Exchange Plaza, Bandra-Kurla Complex,
Bandra (East), Mumbai-400051

Ref.: "GODREJAGRO"

Dear Sir / Madam,

Sub.: Transcript of Conference call with Investors & Analysts held on Monday, May 5, 2025 at 3.30 p.m.

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, May 5, 2025** at **3.30 p.m. IST**.

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 Pritamlal
Raizada

Digitally signed by Vivek Pritamlal Raizada
DN: c=IN, o=Personal, title=1730,
pseudonym=1336343721751481516gUUd1H02ADx9p,
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Vivek Raizada
Head – Legal & Company Secretary & Compliance Officer
(ACS - 11787)

“Godrej Agrovet Limited

Q4 FY'25 Earnings Conference Call”

May 05, 2025

MANAGEMENT: **MR. BURJIS GODREJ – EXECUTIVE DIRECTOR – GODREJ AGROVET LIMITED**
MR. BALRAM S. YADAV – MANAGING DIRECTOR – GODREJ AGROVET LIMITED
MR. S. VARADARAJ – CHIEF FINANCIAL OFFICER – GODREJ AGROVET LIMITED
MR. ARIJIT MUKHERJEE – CHIEF OPERATING OFFICER, ASTEC LIFESCIENCES – GODREJ AGROVET LIMITED

MODERATOR: **MR. RANJIT CIRUMALLA – IIFL CAPITAL SERVICES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Godrej Agrovet Q4 FY '25 Earnings Conference Call hosted by IIFL Capital Services Limited. 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 star then zero on your touch-tone phone.

Please note that this conference is being recorded. Before we start, I would like to point out that some statements made in today's call may be forward-looking and a disclaimer to this effect has been included in the earnings presentation shared with you earlier.

I now hand the conference over to Mr. Ranjit Cirumalla. Thank you and over to you, sir.

Ranjit Cirumalla: Thank you, Anushka. Good afternoon, everyone, and thank you for joining us on the Godrej Agrovet Q4 FY '25 Earnings Conference Call. From the company, we have with us Mr. Balram S Yadav, Managing Director; Mr. Burjis Godrej, Executive Director; Mr. S. Varadaraj, Chief Financial Officer; and Mr. Arijit Mukherjee, Chief Operating Officer, 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 Q&A session.

I would now like to invite Mr. Balram Yadav to make his initial remarks. Thank you and over to you, sir.

Balram Singh Yadav: Good afternoon, everyone. I welcome you all to the Godrej Agrovet earnings call. At the outset, I'm pleased to report that FY '25 marked a significant milestone for stand-alone Godrej Agrovet Limited, which recorded its highest ever profitability. The primary drivers of this exceptional profitability were the outstanding performance of our domestic Crop Protection business and the Vegetable Oil business complemented by notable margin expansion in our Animal Feed segment.

On a consolidated basis, EBITDA margin excluding nonrecurring items improved by 110 basis points in FY '25 as compared to FY '24 despite revenue remaining relatively flat year-on-year. Beyond our financial performance in FY '25, we remain deeply committed to the long-term sustainability vision, sustainability objectives aligned with the Godrej Group's Good & Green vision.

For second year in a row, we have been included in A-list leadership band of Climate Disclosure Project, climate disclosures and also for Water & Forests disclosure. We achieved good progress in achieving sustainability targets led by 81% of energy consumption from clean renewable energy sources and being a water positive company already conserving 15x more water than the consumption.

The company also has been conferred with CII's coveted and prestigious Climate Action Program CAP 2.0 award. Coming to the key financial and business highlights of each of our business segments. In Animal Feed, while volume grew marginally in Q4 FY '25, segment margin remained flat. For FY '25, segment margin improved sharply from 4.6% in FY '24 to 6.1% in FY '25 on account of favourable commodity positions and cost optimization initiatives.

Further, our EBIT per MT improved significantly by 28% from INR1,542 in FY '24 to INR1,973 in FY '25. Volume remained flat year-on-year, primarily due to lower placement and lower end product prices in the first half of the year. Vegetable Oil segment delivered remarkable results in FY '25 buoyed by increase in average realization of crude palm oil and palm kernel oil prices, which was fuelled interarea by increase in import duty in September '24.

As a result, segment revenue and results for Q4 '25 and FY '25 improved significantly. While fresh fruit bunches arrival for FY '25 were lower by 8% year-on-year, FFB arrivals for Q4 were higher by 10% year-on-year. Our Crop Protection business delivered a stellar performance throughout FY '25 and Q4 FY '25. For FY '25, segment margin at 40% was impressive growth over FY '24. This was fuelled by robust volume growth across in-house and traded product portfolio.

FY '25 was a challenging year for Astec LifeSciences marked by a lower offtakes in the CDMO business coupled with sharp decline in the prices of its enterprise products. However, in Q4 FY '25 Astec reported a sequential improvement in performance as compared to the Q3 FY '25 on the back of improved volumes and lower input costs.

Our Dairy segment reported improved profitability in FY '25, a direct result of our relentless focus on enhancing operational efficiencies and favourable milk spread. Furthermore, our strategic emphasis on value-added products continues to gain traction now contributing a significant 37% of our total sales. The performance of Q4 was impacted due to an increase in procurement prices.

In our Poultry business, Q4 FY '25 earnings and margins declined primarily because of lower volume of live bird category as we continued to focus on increasing salience of branded businesses and reduce exposure to live bird businesses. While the volume of branded categories grew in FY '25 by 4% year-on-year, profitability was adversely impacted due to higher input costs and unfavourable channel mix.

In Q4 FY '25, margin in the branded category improved sequentially due to higher realization and low input costs. GAVL's joint venture in Bangladesh ACI Godrej recorded a decline in revenue of 13% year-on-year in FY '25 due to ongoing economic challenges and political instability in Bangladesh. That concludes our business and financial performance update for the quarter.

With this, I close my opening remarks. We will now be happy to answer your questions. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session ,anyone who wishes to ask the question may press * and 1 on their touch tone telephone. If you wish to remove yourself from the question que you may press * and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen we will wait for a moment while the question que assembles. The first question is from the line of Ranjit Cirumalla from IIFL Capital Services Limited. Please go ahead.

Ranjit Cirumalla: Hi sir! Thanks for this opportunity. My first question is on the Astec LifeSciences front. So the business has seen a bit of challenges in the year gone by. What are your thoughts on this particular businesses over the next couple of years? If you can just shed little more light on that? Thank you.

Arijit Mukherjee: So this is Arjit. Let me try to answer this question in 2 parts. First part, the problem which we faced last year was because of high priced inventory, which is mostly in our enterprise section. So last year we have liquidated all the high price inventories and then from Q4 if you see, there an improvement in terms of the volume offtake.

And with the fresh arrival of the raw material intermediate and the volume increasing, we think that more or less the bad phase of enterprise business is over. So now we will see a positive contribution from that business and hopefully by Q2, the volume should be normal in terms of the increasing demand from U.S. and other geographies.

In terms of commodities, as you know, the second half of the year generally goes more for contract manufacturing so whichever contract manufacturing is between the H1. So most of the contract manufacturing POs and negotiation has been over. So this gives us a confidence that almost most of the contract manufacturing will be coming back to the normal demand.

Contribution for contract manufacturing does not vary too much, it has been consistent over the last 2 to 3 years. So we see that more or less the business is moving towards a positive phase in terms of contribution and volume demand.

Balram Singh Yadav: And any long term?

Arijit Mukherjee: Long term what we are now currently working because today we are, almost 60% of the business comes from contract manufacturing. By end of the year, we think we should build up to 70%, 75%. Already there are a number of projects which we are working in R&D and I think by Q3, there will be new molecules which will be commercialized.

Some will be in the backward phase, which adds up to the margin and some will be the new molecules. But overall, the focus is more towards next 2-3 years we'll be more into contract manufacturing and it will be mostly into the innovator space. So that is our first preference to go with the innovators to get new molecules.

Ranjit Cirumalla: Right, sir. Thank you. Could you just share a guidance on the growth numbers for the contract manufacturing business? We were earlier confident of more than 30%, 40% kind of a growth to have ended a figure?

Arijit Mukherjee: More or less it will be around 35%. Year-on-year the growth will be 35%.

Ranjit Cirumalla: For the next couple of years?

Arijit Mukherjee: Couple of years, yes.

Ranjit Cirumalla: **Yah.Thank you.**And how soon can we get back to our previous highs in the enterprise sales?

Arijit Mukherjee: It is very difficult to predict as such, but Q2 is the time where the demand generally most of the geographies, India as well as U.S. and other geographies, it picks up. So I think we have to wait for a month or so to see how the demand just translates to actual orders and how we compete with China and everything. But we are very near to the start of the season.

Balram Singh Yadav: So I must also tell you that all our buyers, particularly in U.S., are closely watching the tariff situation and I think the story will be clearer in a fortnight or so. By that time, they have to start placing the orders. And considering the kind of differential we have with China in different molecules, we believe that the margin expansion will happen because of the tariff regime also.

Ranjit Cirumalla: Right Sir. Thank you. I will come back in que.

Moderator Thank you. Ladies and gentlemen I would like to remind that you may press * and 1 to ask a question. Ladies and gentlemen I would like to remind participants that you may press * and 1 to ask question**.** The first question is from the line of Siddharth Gadekar from Equirus. Please proceed.

Siddharth Gadekar: Hi Sir, Good Afternoon. So first question is on the Astec enterprise business. Sir, now going into FY '26 with our high cost inventory liquidated, how should we think about gross margins in these businesses?

Arijit Mukherjee: Now within enterprise also, there will be a few molecules which will be showing a relative good growth percentages, right? So it should be around, say, 15%, 20% of growth volume we can expect for. But still there will be, say, 20%, 30% of the molecules which is under stress. That might be because of inventories -- it might be because of -- gross margin will again be around, say, 12% to 14% should be the gross margin.

Burjis Godrej: Contribution margin will be 12%-14%.

B S Yadav: Gross margin will be close to about 20%...

Arijit Mukherjee: 20%-23% is the gross margin.

Siddharth Gadekar: Okay. Sir, secondly, in the CDMO business when we are guiding for a 35% growth, how much of this would be coming from new molecules and how much of this would be coming from the existing business from FY '25?

Arijit Mukherjee: I think this year majority of the growth will come from the old molecules where the volume -- because last 2 years the volume did not reach the peak. So 90% of the growth will come from the old molecules. Few new molecules will come up, but this will be in the initial phase. So it will be very small volumes, which will come.

Balram Singh Yadav:: 35% number looks big, but I must also tell you that last year was a very subdued year for CDMO so it's on a low base.

Siddharth Gadekar: Correct. Sir, lastly, in terms of capex, are we planning any capex on the Astec side?

Balram Singh Yadav:: No capex in Astec. In GAVL, we are only putting capex in high margin businesses now, particularly Oil Palm Plantation. Oil Palm Plantation business is the recipient of most capex that's coming up with refineries in palm kernel oil, etc. Apart from that, they'll get into further value-added products also so the capex is being done for that also.

Burjis Godrej: Astec will keep all capex for next year so very minor, just maintenance thing. Nothing is planned for further capex until we get more visibility into the business and until EBITDA and overall profitability improves.

Siddharth Gadekar: Sir, lastly, on the domestic side, how should we look at a placement for the kharif season in the Crop Protection business?

Balram Singh Yadav:: So placement is very good on the back of expectation of normal monsoon. So I think we are fully geared up. I think dispatches are happening. Placement is happening at the retail level. So we are expecting a good season and we are also expecting very good volumes.

Siddharth Gadekar: Okay sir. Thank you so much.

Moderator: Thank You. The next question is from the line of Abhijit Akella from Kotak Securities. Please proceed.

Abhijit Akella: Good Afternoon. And thank you so much for taking my question. I'll just start with a slightly broad question, sir, if I may, but it would be great to get your perspective on the outlook for the various business segments for the upcoming financial year in terms of growth and profitability. It would be great to hear your overall broader perspective on that?

Balram Singh Yadav: So I think I must also say that last 5-6 quarters have been very, very important for us in correcting lot of our margin structure, lot of our distribution model, the portfolio also in terms of products within a business. So we believe that I think we should get back to growth. Some of the green shoots we have seen in the last 2 quarters. Overall, we are expecting between 16% to 18% top line growth in GAVL backed only by volume growth.

We are not taking too much of inflationary growth next year. And I think the main businesses where growth is likely to happen is Crop Protection business, in the Animal Feed business and in the Astec LifeSciences business. As Mr. Arijit said, Astec LifeSciences, we are expecting a pickup in the volumes so that we can get back to earlier levels and that is why we have budgeted higher growth in Astec LifeSciences.

Crop Protection, we will be launching one molecule which will account for some growth and rest of the growth will come from earlier products. Then in the Animal Feed business, last year was a washout in Aqua Feed, particularly Fish Feed. We believe that this year because of very good fish prices, the volumes are coming back so we are expecting very good growth in the Aqua Feed segment in Animal Feed.

As far as profitability is concerned, again we have taken a growth of 16% to 18% profit. I must also tell you that in Animal Feed, in Crop Protection business, in Oil Palm Plantation business; the profit as a percentage of sales already very high. So we have not taken any growth in profit per ton, but whatever growth is there will come from volume. But big profit improvement will come from reduction of losses in Astec LifeSciences this year.

We are saying that on a conservative basis our loss should come down to less than half of last year and that will definitely drive profitability of Godrej Agrovet and take us to a 16% to 18% growth overall at consolidated basis.

Abhijit Akella: Okay. So 16% to 18% on the top line front and also on the bottom line, sir, is that how we should think about it?

Balram Singh Yadav: 16% to 18% on bottom line, but most of it is going to come from loss reduction in Astec LifeSciences.

Abhijit Akella: Sorry. Just wondering shouldn't the bottom line growth be higher than the top line growth if the losses are reducing?

Balram Singh Yadav: So I'm saying that according to me, we can be 1% or 2% higher. But I don't see any significant and you must also remember that we are already at 30% EBIT level in. What would the EBIT level in crop protection?

Amit Pendse: Crop protection 40%

Balram Singh Yadav: Crop protection 40% EBIT level in Crop Protection plus the oil prices were extremely high in Oil Palm Plantation business and Animal Feed business also there has been significant improvement in margin. As I've already talked about that we have seen a significant improvement in margin in our Feed business.

So I feel that I think whatever growth and profitability in these businesses will come from -- is going to come from volume. But I also feel that there will be a drop in profitability from 40% EBIT level in agrochemicals. All of us know that it is not sustainable.

Abhijit Akella: Understood sir. That makes sense. That helpful colour. If I may just take a couple of questions to dig a little bit deeper into some of the segments. So the Dairy and Godrej Food segments seem to have seen some margin compression in the maybe fourth quarter particularly. So what's the reason for that and how do we expect that to go going forward? And in Animal Feed, cattle is the largest segment and we kind of struggled in the first half last year I believe because of lower milk prices.

Are we seeing a recovery in that segment given the fact that procurement costs seem to be moving up?

Balram Singh Yadav: Yes. So you're talking about -- in both our Food businesses, we had an extreme challenge in Q4 also and which continues in Q1 also is the high prices of input, which is the chicken prices have gone up as well as costs have gone up and milk procurement costs have gone up and the prices have not kept pace. In chicken, they have not kept pace because of the bird flu situation in West and South India for some time.

The industry has gone through a lot of pain, but now the prices have started recovering. So we may see marginal improvement in this quarter, but more improvement in the next quarter. In milk, there is a lag between increase in procurement prices and increase in consumer prices. So that is what we are seeing also. One reason for margin compression in Dairy business was that we accelerated our marketing initiative for our value-added products.

And you'll be glad to know that we spent almost INR6 crores in quarter 4 of last year. And we have taken Rana Daggubati, the superstar of Southern cinema, as our brand ambassador. So all those spends have been made. We believe that these results will start coming in this year. Second, I've already explained why the margins are compressed.

Balram Singh Yadav: Cattle feed I think that rebound is happening so you will see that.

S. Varadaraj: Is there a question for us?

Balram Singh Yadav: Sorry, we are hearing your internal conversation.

Burjis Godrej: I think we can move to the next question, Abhijit, if you are...

Moderator: Thank you. The next question is from the line of Aejas Lakhani. Please proceed.

Aejas Lakhani: Yah! Good Afternoon team. Sir, my first question is that Animal Feeds had a benign raw material environment. So how is the situation right now? And the EBIT margins that you have reported for the full year. Do you expect margins to remain at the same levels?

S Varadaraj: Can we go to the next question please?

Moderator: Yes. The next question is from the line of Aejas Lakhani.

Amit Pendse **:** HI Aejas

Moderator **:** Give me a moment sir.

Amit Pendse: Please check whether he is connected.

Aejas Lakhani: Sir my first question is on Animal Feed. You know, this year we've had a benign raw material environment, which has led to a higher segment margin. How do we expect FY '26 to shape up from a margin perspective as well as a growth perspective?

Balram Singh Yadav: One of the other reasons for very good margin expansion was very good raw material calls we took last year. But you're absolutely right that we are not seeing the kind of inflation we would see in off season in the Animal Feed business. So that is still continuing. So one thing I must tell you about this industry. I think this industry has benefited the most as far as profitability is concerned from the government ethanol policy because while government -- corn became expensive.

But all the protein sources; particularly soya beans and all kinds of meal including cottonseed meal, rapeseed meal, etc; all of them became cheaper because of the DDGS which got produced from making ethanol. So I think the industry has benefited from that. The second benefit came from ban of DORB exports to Bangladesh because that was 1 area where they would take away almost 0.5 million tons to 0.7 million tons every year from us and that would result in some inflation in our de-oiled rice bran prices.

All these things are likely to continue. So we are very sure that either we will build on our margins or we will maintain the margins. My expectation is that our EBIT per ton will remain between INR1,900 to INR2,000 on an average. Some quarters it may go up, some quarters it may come down; but I am talking about the annual number.

Aejas Lakhani: Got it. So my second question is on Vegetable Oil. Could you speak about the outlook for the segment? That's point Number 1. Within that, you know the benefits of forward integration that you have been doing. Could you specifically call out that – you know the margin expansion that we have seen this year from 15% to 17%, how much was it on account of the palm oil prices being higher? How much was it on account of the productivity benefits of forward integration? And what has been the FFB arrival you know FY '24 and FY '25 and how we should think about it in '26?

Balram Singh Yadav: Okay. So I will start answering from price outlook. Prices have definitely started correcting. Today, the exit is close to INR115,000 to INR118,000 per metric ton of CPO. Olien is also at similar prices. So I think they have come down from the peak of INR131,000 - INR132,000 per MT. And the forward prices for, say, August, September are showing at about INR107,000 to INR110,000 per MT. We do not know what will happen, but definitely the prices are softening.

Where we are extremely happy is because palm kernel oil which competes with coconut oil, the prices are still holding at close to INR215,000 to INR220,000 per ton. So I think that definitely is likely to continue because the demand for palm kernel oil is very strong. On the second question is our journey. Our first investment in that journey was the refinery for crude palm oil and I can say that it has added like-to-like basis almost 1.25% to our overall profitability.

The second investment in that journey is under progress, which is a refinery from palm kernel oil. All the palm kernel oil will also be refined and sold as value-added products, but that is likely to happen only towards the end of this season and definitely in the next year. That will add another 1% to 1.2% depending on prices to our overall profitability.

So these 2 investments will add close to anything between 2% to 2.5% to our overall profit depending on the price of the product. The third investment, which currently is under discussion, is about hydrogenation and interesterification plant, which will help us to manufacture shortenings, bakery fats, cocoa butter substitutes and non-dairy milk etc; which will add close to 1% to 2% to our overall profitability once we start doing that.

However, having said that, the third phase which launches us into this B2B food products will require a lot of development of these products along with the partner clients. So I think for that, we have set up a R&D center in Rabale. In the agrochemical R&D center, we had 1 floor which was available and that has been converted into R&D center for oils and fats. So this is the way forward.

The best thing about this journey is that I think CPO prices will still be relevant, but will not add to volatility of profits to a large extent in another 2 years' time. So the journey is already started, investments are already underway and more investments will be made. But we believe in FY '27, you should get a glimpse of what a value-added oil business would look like. You please tell what is the…

S. Varadaraj: So in terms of the Fresh Fruit Bunch arrivals, fresh Fruit Bunch arrivals for the year was lower on account of several factors including the water availability and the spatial distribution of monsoon. But for Q4, the fresh food bunch arrival grew by almost 11% in Q4. Also FY '26 is expected to be a good year from a Fresh Fruit Bunch arrival perspective and we expect close to 18% growth in fresh Fruit Bunch Arrival in the financial year 2026.

Balram Singh Yadav: And April has been stunning.

S. Varadaraj: Yes April has been stunning.

Aejas Lakhani: Got it. Sir, just to follow on this. The PKOs and CPO realization spread erstwhile used to be in the range of 20% to maybe 35%, 40%. The number you called out which was INR215,000 versus INR115,000, it shows a far starker jump. So do you see this as a secular trend or is this a one-off that will revert back to the 40% spread level?

Balram Singh Yadav: So according to me, it is also season-to-season. I think there is a big jump in the demand of palm kernel oil for food as well as for industrial purposes and we believe that. I'm saying nobody can predict what will happen say 4 quarters later, but I am very sure the kind of trends I see, I think first and the second quarter definitely this kind of gap will prevail. My sense is that PKO will be 1.8x, 1.9x of CPO prices.

Aejas Lakhani: Understood. Perfect. Sir, my next question is on the live bird segment, on Poultry specifically. So, your aspirations in this segment are pretty clear to us in terms of what you've communicated. But today, could you just give a breakup of FY '25? What has been the proportion of live birds after you have taken over in completeness? What is that segment revenue as a percentage of the overall? What is RGC and Yummiez just directionally so we know where we are headed?

Balram Singh Yadav: Before that, let me tell you Mr. Varadaraj will answer the other question. But I must tell you that good we reduced the live bird salience in the business and brought it to very low levels otherwise the kind of mayhem we have seen in this market because of bird flu incidences in west and south, we would have really suffered heavy losses in this segment.

S. Varadaraj: So in terms of volume, the saliency of live bird for FY '25 is close to 32% while that of Yummiez and Real Good Chicken put together was around 68%. That is what in terms of volume saliency was. While in terms of revenue if we had to look at, the saliency of live bird was close to 23% and as against 39% in the previous year.

Aejas Lakhani: Wonderful. So sir, is it fair to assume that given that the business is now tilted more towards RGC and Yummiez, which have a significantly better margin profile as compared to live birds, we should start to see the benefits of that in FY '26?

Balram Singh Yadav: Yes. That is the expectation.

S. Varadaraj: That is expectation. Also more importantly, the volatility will come down. For instance, let's take Q4 itself. Q4 of FY '24 had a very high live bird price, but was it sustainable? The answer was no and that's why when you compare it with Q4 of FY25, we see a dip in the live bird contribution and live bird margins. So, this kind of volatility will also go down.

Balram Singh Yadav: Another thing which I want to add is that in both our food businesses, we have doubled our advertising spends over FY25.

Aejas Lakhani: Understood. And sir, when will this segment start to see reasonable healthy return ratios, the live bird segment especially -- sorry, the poultry segment especially?

Balram Singh Yadav: We are expecting things to change in a quarter or two. But I'm saying that I would hold this question for one more quarter because there's so much we have done in dairy as well as chicken and the results are yet to be seen. So probably we'll wait and watch for three more months if we have to pivot something or focus something else. And one thing which we are also seeing is subdued consumer demand. So we believe that sentiment is also likely to pick up and improve in time to come, but definitely the direction is right.

Aejas Lakhani: Noted. Sir, on the dairy side now we have spoken about the significant improvements we have done and you called out the higher A&P spends for the quarter. But if I were to take FY26, how should we expect growth to be, how should we directionally think about the value-added portion, which has been about 36% of revenues or 37%, how should we incrementally see that going up, where are we on the direct procurement model today? And you know directionally given that milk procurement prices are going up, have we taken an increase in our products so as to pass on the increased cost of materials?

Balram Singh Yadav: So overall growth in volume in all blended all products is taken at about 10% in our dairy segment and we have not been very, very aggressive in growth because we are having problem in top line growth for last 2 years. The salience of value-added products...

S. Varadaraj: It will go up to almost 40% plus in the next year, the saliency of value-added product. And also in terms of margin, the EBITDA margins we expect that to expand from the current 5% in the current financial year to almost 6% to 7% in next financial year.

Balram Singh Yadav: I must also say that regarding price increases; in some of the value-added products where we could, we have taken the price increase. Can you hear me?

Aejas Lakhani: Yes. What percentage of the portfolio would you have taken price increase?

Balram Singh Yadav: Almost 20. Okay let me just complete what I'm saying. So there is a price increase, which happens which the industry takes along with everybody else, which is pass on the increased cost of milk. I think those two price increases have happened in last 4 months. Apart from that, in certain value-added products we have taken a price increase of about 4% to 5% to 10% in certain areas; but that constitute only 10% to 12% of our total portfolio.

As and when we get an opportunity when we start advertising in that segment, we definitely are planning to take a price increase even if the market does not take a price increase along with us. So I think that journey has started of premiumizing and other things which is going to be backed by ad spend. So I think we will see margin improvement all across in the dairy segment. But in pure plain milk, we will have to be with the market.

Aejas Lakhani: Okay. And sir, where are we on direct procurement with farmers, what percentage of the milk is now being directly procured?

Balram Singh Yadav: I think we can give, last week it has already crossed 60%. But I would request my colleagues to get you the thing and I think our plan is to cross 75% this year. That is the target because that is the only big initiative, which is ongoing in the procurement because it yields lot of benefit. I must say that just because of direct procurement, we have halved the number of our chilling centers.

So it is becoming very -- I would say the depth is increasing and the cost is decreasing. The rate of decreasing cost is slower, but definitely it is becoming more and more efficient.

Aejas Lakhani: Sure, sir. And sir, on crop protection, you mentioned in your opening remarks that the 40% margins are at the higher end of the threshold. So how should we think about margins for FY26? And also could you comment about how the in-license portfolio is doing and what is the outlook there?

Balram Singh Yadav: Let me just start that definitely why we have taken a drop in margin because we have taken a 30% plus increase in top line. We believe that we need to expand geographically because we should not be dependent on only few molecules -- few crops and few geographies. So the kind of debacle we had in chili should not happen next year. So we have expanded into several other vegetable crops and several other geographies and all this is going to cost.

So this margin drop is coupled with the kind of top line growth we have envisaged because we are going to launch another product in corn which is another in-licensing product, which will also add to our growth number this year. On in-licensing, I think the efforts have been -- I would say there is a multi-fold increase in our efforts.

Last year we set up or say FY24 we set up a Japanese desk to connect with Japanese companies and we are extremely happy to say that we are working with few Japanese companies for few molecules, which will be launched in FY27 - FY28. Apart from that, we have started the Chinese desk also last year. And in both these countries, we have appointed people to further our interests.

And I'm extremely glad to say that the China desk is also likely to deliver good results. All in all I think we are in -- I think this is a crunch year for us. We will definitely try to get 30% plus margins and more than 30% plus growth over last year in top line. And having said that, at 30% EBITDA level we will still be higher than our peers.

S Varadraj: **:** Hello Can you hear us.

Burjis Godrej **:** Hello can you hear us. We have issues in chorus call today. Just check in.

Moderator: **:** Hello

S Varadraj: Can you hear.

Moderator: He is on talk only.

Amit Pendse: Okay but we are not able to hear anything.

Moderator : Give me a moment sir.

S Varadraj: Can we move to the next question, please.

Amit Pendse **:** Anushka, we can move to the next question, please.

Moderator: Sure. The next question is from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: Yes. Hi, sir. Thanks for the opportunity. I am audible. So sir two questions. First, since you are discussing on the crop protection side, you did highlight that we are going to launch one more in-license product this year. But just trying to get your thoughts from a 2 to 3-year perspective and since you're already in talks with Japanese as well as Chinese players there, what are our thoughts in terms of one, number of new product launches as well as the overall portfolio growth for us given there is a geographic expansion as well that we are working on?

Balram Singh Yadav: So I can definitely talk about one which is already going commercial. The only thing I can definitely tell you is that at least five molecules, one or two mixtures are already in the different stages of registration. So I think we can give some color on that in another 6 months time. But definitely the pipeline is healthy and all these molecules have at least 10 million to 20 million top line opportunity in the second or the third year of the launch.

There are two products which are going to come from in-house, which are mixtures and there are five products which are already in different phases of registration. They're all in-licensing and all from Japan.

Ankur Periwal: Sure, sir. And these five will be launched over the next 3 years, which is FY '26, FY '27 and FY '28?

Balram Singh Yadav: Definitely everything will be over by FY '28. Most of it is '26 and '27.

Ankur Periwal: Great, sir. That's helpful. And just a follow-up here. You mentioned on 30%...

Balram Singh Yadav: Registration can go by 1 quarter or here and there it can happen, but point is that so it may not fall in the financial year, but definitely will happen. In next 8 to 10 quarters everything will be in the market.

Ankur Periwal: Yes, should be good. Just on the margin front, you did mention that we look to maintain 30% plus EBIT margin in the stand-alone Crop Protection side. Was that a guidance only for FY '26 or even let's say 2 years' out when these products get launched?

Balram Singh Yadav: FY '26.

Ankur Periwal: Okay. And so let's say 3 years out, will that number be similar or will be probably drifting down a bit maybe more closer to 20%, 25%? Your thoughts.

Balram Singh Yadav: It depends on the kind of margin we get in in-licensing product because as these variants of our own molecules come down, definitely you don't get this kind of EBIT margins on in-licensing. But my sense is that between 25% to 30% is something which we try to maintain 3 years out also.

Burjis Godrej: The key point would be that it will still be higher than peers in those time frame. So that's something that you should note.

Ankur Periwal: Sure. Noted sir. Secondly, on Astec side, you did mention on the strong revenue ramp up that we see. So two parts, one pricing led pain in enterprise segment you mentioned is largely over. Are we starting to see some volume-led uptake here?

Arijit Mukherjee: Yes. So the growth will be volume-led this year and price will be a little bit of correction, but the growth will come only from the volume.

Ankur Periwal: Okay. A large part of this 30-odd percent growth will be led by the CDMO business. And what timelines are we looking for a peak utilization of that contract, that product?

Arijit Mukherjee: Generally, the product which will be launching this year, generally takes 3 years to reach the peak volume.

Ankur Periwal: Okay, sure. Just second bit on the margin front in Astec here. While there is a strong ramp up we are looking to witness in this year, the margin guidance still is slightly subdued in terms of halving the losses. Any specific reason why we are still expecting the losses to continue? My sense was probably the turnaround in over here could be much quicker.

Balram Singh Yadav: I'm telling you we have had egg on our face for last 4 - 5 quarters. How horribly can we go wrong that we budgeted a break even in Astec LifeSciences and lost INR140 crores. So I'm saying we are being conservative and the budgeting is done by just taking whatever confirmed orders we had and whatever the margin which we have already locked in in terms of price expectation and raw material cost expectation.

So this margin we are 90% plus sure that we will deliver. However, there are upsides also. One upside can be general improvement in the market. Second upside can be some tariff differential from China for the American market if it can give us a few percentage points more. I think these are something which have not been factored in the current margin expectation.

Burjis Godrej: This is Burjis. I just want to add that we are expecting EBITDA positivity for this year. But given the situation on interest, cost, depreciation, those are significant. Significant investments made in R&D center, new herbicide plant. So that's why the outlook for overall profitability is still looking like it's loss making.

Ankur Periwal: Sure sir, and just last bit. Let's say 2 years out given near term there are still challenges, but let's say 2, 3 years out. One aspect is growing that 25% 30% CAGR here which you suggested for. What sort of stable EBITDA margins are we looking at for Astec 3 years out?

Balram Singh Yadav: So these businesses have to cross 20% plus EBITDA margins to be able to be sustainable and worth their while. So that is what the expectation is. Lot of things are there, but I would not hazard a guess right now. But I can tell you the kind of amount of work we have done. We have appointed consultants outside the country.

We are working with lot of people and trying to turnaround this business. So I can definitely see that lot of activity is there, but it has to fructify it to business results. It will take another 2-3 quarters for us to give you a full glimpse of how next 2-3 years will look. One great thing about CDMO and why I love it is that suppose you nail something, you nail something for long term.

Burjis Godrej: And looking into specialty molecules will also be very important. Those contribution margins, gross margins are much more significant than enterprise molecules. And we have discussions underway for contract manufacturing for those. And around the time of Q3, Q4 you'll see some of those efforts being to be commercialized.

Ankur Periwal: Great sir, thanks for the detailed answers there. And all the best and thank you.

Moderator: Thank you. The next question is from the line of Sujith Jain from Bajaj Allianz Life. Please proceed.

Sujith Jain: Yes, I hope, I am audible. Quite some candid observations, Mr. Yadav, you've made. I have some questions on the Dairy business. In the Dairy business, you still giving your aspiration of moving from 5% to 6% to 7% margin. Here is a business which if you compare with the listed dairy peers is subscale, a; and b, even in aspiration our margins are still 6% to 7%.

People have reached double digit margins and they have also reduced the volatility of margins in dairy business and kind of given commentaries of keeping it in a narrow band even when prices of raw material were to go up materially. So is there an issue in terms of our aspiration falling short? That's my question one.

Balram Singh Yadav: Okay. So definitely what we inherited and what we went through in this business I think is known to everybody through our numbers. I can definitely say that in last 2 years, a lot of correction has been made and you would have seen that correction has been made first in.

Sujith Jain: Hello. Hello.

Moderator: Hello

Sujith Jain: I think I lost the management.

Moderator: So sorry. I will rejoin the management. Please wait for a moment.

Moderator: Thank you for waiting patiently. We have connected the management's line.

Balram Singh Yadav: Sujit, where did I lose you?

Sujith Jain: No, you kind of started answering and then at least I lost you.

Balram Singh Yadav: Okay. So what we are saying is that lot of correction has been made in the back end. So that has brought us to the GM margins, which is comparable to our peers. We are between 26% to 29% GM margin for last several quarters. Our big problem of lower EBITDA is also because of our top line growth.

Now that is one thing which we are trying to address by branding and by distribution reboot. My sense is that it will take time, but we will get this also in order. I must say that the team has been revamped. We have got very good marketing talent in that team. And I think in a few quarters from now, you will start seeing uptick in our value-added sales.

Sujith Jain: Okay. And when I look at you got benefited this year because of higher palm oil prices. You already discussed in this call. They started coming down. Then if I were to kind of do my math for FY '26, there'll still not be much of growth if that business were not to support us. This company was supposed to be a good double-digit compounder company and here we have a situation where because of various reasons, we have not been able to achieve?

That is one. And secondly, could there be a reorganization of all these seemingly disparate businesses into, let's say, at least one more entity where some businesses can be housed. So for example a dairy business can be spun out separately or could this conglomerate structure be continued?

Balram Singh Yadav: The first answer is for palm oil, I must tell you that we are very, very confident that this year we have watched this plantation business. We have learned so much from Malaysia and Indonesia.

Trees are trees, they have their own behavior. You must have heard about mangoes also; some years that you have excessive crops, some years you have shortage.

And I think the similar trend is in all orchard or horticultural crops. We believe this year is a year of volume growth and if April is a sample, then we are very confident that we will be able to maintain similar profitability also because of volume growth in FFB arrival. On your second question, I must tell you and I must disclose this that we have talked about the portfolio being one of the focus. We have tried to clean up the portfolio. We have bought 49% stake in Godrej Tyson Foods and we are also in the process of buying the stake with minority stakeholders and try and own 100% of CDPL in a month's time.

Apart from -- one of the -- one reason is to have a real good look at these businesses, grow them. The other advantage of owning 100% is also that in joint ventures, the restructurings are not very easy. I think this gives us a lot of flexibility and freedom to restructure the way we want.

I fully agree with you that I think portfolio play has to -- portfolio consolidation or reorganization has to play out in this company and by buying these stakes, we have given ourselves that freedom to do that. So my sense is that we are going to see what each business can do. We are working with some consultants also to make future plans. And I am sure that in time to come you will see management action on the questions you have asked.

Sujith Jain: Sure. And one last question is on Astec. If you could just summarize what went wrong. Is it Chinese flooding and we had our business more tilted towards catalog business earlier and in future how we can be more agile rather than reacting to circumstances, be proactive to actually take some actions ahead of the time?

Balram Singh Yadav: I'll simplify the whole thing. I'm telling you that in enterprise business, we lost heavily because the prices just halved and we were left with lot of finished product and lot of high cost raw material. At one time, our cost of raw material was higher than the finished product. So we sold lot of material on negative contribution, which accounts for almost 50% to 55% of our losses.

And the second thing was that CDMO, which was supposed to pick up, also did not pick up. These were customers who were with us for a long time, but they just reduced their quantities or postponed their quantities. So this was the problem of last year. Now the first problem of high raw material cost has been sorted out. All the products are positive contribution which is increasing with each consignment. So that is there.

To make this business more sustainable and less volatile, I think we need to crack CDMO big time and that is where our efforts are on. And I think if we are talking about 30% - 35% growth this year, in case that happens for 1 or 2 years, then we would say that we are on the right track. We believe that we are doing everything whatever is required to become a good and a favorable -- favored CDMO player. Let us see how it plays out. My sense is that we will be successful.

Sujith Jain: Okay, sure. All the best. Thank you.

Moderator: Thank you. The next question is from the line of Aman Bora, an individual investor. Please proceed.

Aman Bora: Hi, thanks for the opportunity. First of all, one feedback from my side. One of the participants, Mr. Aejas, for last 2 quarters has been taking more than 20 minutes on the call which leaves very less time for us because we get to talk to the management only once in a quarter. So if we could limit the time given to each participant so that more participation can happen in the call. That is my first request to the management.

Balram Singh Yadav: Thank you for pointing out.

Burjis Godrej: Please do reach out to us offline and we're happy to answer any queries that were unaddressed.

Aman Bora: Thank you, sir. So that was just one. I just have two small questions. One is on Astec. So if I talk about say two quarters back, our guidance for FY'25 was that we'll do about INR400 crores to INR450 crores of top line on the CDMO side, while we've achieved almost half of that in terms of INR225 crores, which is down versus what we did in F '24.

So if FY'26 we are saying that the business volume returning back to normal. Can we now for the full year FY'26 do a CDMO business number of that INR400 crores, INR450 crores which was expected for FY'25?

Arijit Mukherjee: So let us say this way. Last quarter which has happened is that some of the orders which, generally the CDMO orders which comes in Q4, was in the last moment being cancelled. That is why if you see there is a decrease in terms of the overall projections which we have given.

But for this year, this is too early to say because this CDMO takes -- first portion of the CDMO which is 30% of the business happens in H1. Actual 70% of the CDMO businesses also happens in H2, whilst the negotiation and the discussion will start in Q2.

It is too early to say about the actual projections part. But then the way it is moving, it seems that the volumes are coming back which we lost in last 2 years. And if that proves right, so we should be there somewhere between 30% to 35% of the growth we can achieve.

Aman Bora: Got it, got it. So that is point number one. Point number two, I think what Mr. Godrej also highlighted. We as a -- say for F '26, the guidance for Astec is that we'll half our losses. But if I just leave aside the PAT losses because I understand the depreciation and interest costs; at the EBITDA level, what is the broad margin guidance range that the company can share with us?

Because I - why -- sorry to pin -- ask specific questions. But why I ask is that as outsiders or as minority investors in the business, like these broad ranges help us think about the business better also. And you would appreciate that as you -- we would not have the clarity as what you would have by running the business. So a broad range on the EBITDA margin if you can share for FY '26.

Arijit Mukherjee: So EBITDA margin historically if you see has been driven by CDMO. Now CDMO is more or less -- towards the H2 quarter is where the CDMO really picks up. So the guidance currently is that we will be positive EBITDA. But in terms of percentage, we'll take some time, at least a quarter time to give you the exact numbers in terms of what will be the percentage share in EBITDA level.

Aman Bora: Okay. Got it, sir. Second, my just one final question is on Godrej Agrovet. So sir, for FY'26, we've discussed about 15% to 18% top line growth, but -- and that's heartening to hear and partly driven by volumes. But I would just second the previous participant's point that, like we've been share owners in this business for last 8 years.

The problem is that the predictability of business goes so low because in each quarter there would be a business that would well while there would be something that acts as a negative hedge. So this portfolio construct I would like humbly request the management to look at what best we can do to unlock shareholder value especially for people who've been invested in this company since IPO or for last 7-8 years. That's just my humble request.

Balram Singh Yadav: Point taken. That is top of agenda for the management also and we are taking outside help from top consultants to think through all this. The project is underway and I think management action will follow.

Aman Bora: Okay, sir. Thank you so much. All the best.

Balram Singh Yadav: Thank you.

Moderator: Thank you. The last question for the day is from the line of Abhijit Akella from Kotak Securities. Please proceed.

Abhijit Akella: Yes. Thank you so much for taking my follow up. Sir, just on the working capital front, it seems like there's been a significant increase in payables in the year-end numbers, also a reduction in inventories. So if you could please just help us understand what happened there and what we should expect going forward.

S. Varadaraj: Thanks, Abhijit. So as you may recollect, Abhijit, some time back you know we had moved away from supplier financing arrangements which were there because the spread was quite high. Now the spread has come down significantly between supplier financing facilities which are available and our borrowing cost.

Consequently, the failures of supplier financing has gone up and that is the reason why you see that towards the end we have seen more of lower capital employed. Also as you rightly pointed out, our inventory also has been coming down. Both these things have helped us in unlocking value, unlocking our working capital.

Abhijit Akella: Okay. So these levels are sustainable, right, over here.

S. Varadaraj: Yes, those are sustainable,

Balram Singh Yadav: They don't go overboard also. So we will keep it at a reasonable level.

Abhijit Akella: Yes. And just the other thing on the Crop Protection side, very aggressive growth plans that we have driven by geographical expansion primarily I guess…

Balaram Singh Yadav: And new products also.

Abhijit Akella: And new products as well. So I mean from being primarily maybe a south based company, which regions are we targeting? If you could please elaborate a bit on that. And then this lower prices of chilli which impacted the in-licensed products last year, I guess that situation perhaps continues. So how do we expect, how do we sort of plan to tackle that scenario?

Balram Singh Yadav: I think we are focusing on West, Central big time vegetable crops and for our products, we have taken labels for different vegetable crops also. So that is the diversification. We feel vegetables is a very big crop throughout the country. So that will help us expand or improve our footprint in different geographies. But this year West and Central will be the focus apart from South.

Abhijit Akella: Just one last thing on the Animal Feed side, is it fair to expect maybe double-digit volume growth in cattle feed for the upcoming year?

Balram Singh Yadav: Too early to say. Cattle feed definitely we are expecting higher growth, but a blended growth of 7% to 8% is something which we are expecting and which we have seen in last few months. There have been good signs of improvement in the whole category. So we believe 7% to 8% of volume growth will happen. Margin expansion will also continue. So my sense is that I don't see -- I see a good year for Animal Feed business.

Abhijit Akella: Thank you so much, sir. Wish you all the best.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to management for closing comments.

Balram Singh Yadav: 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: On behalf of IIFL Capital Services Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.