
FROM THE DESK OF THE **CHAIRMAN**



NADIR GODREJ

Dear Shareholders,

It is my privilege to present to you Godrej Agrovet Limited's Annual Report for the Financial Year 2023-24. I hope this letter finds you and your families well and safe.

The global economy demonstrated remarkable resilience in the Financial Year 2023-24, navigating through various challenges such as persistent inflationary pressures, aggressive monetary policy tightening by central banks, continuation of geopolitical tensions, elevated public debt amidst tight financial conditions, weak recovery in China, etc. Concerted efforts by policymakers and structural reforms aimed at boosting productivity emerged as key focus areas to sustain global economic expansion.

India remains a bright spot in the revival of global economy. India's growth continued to be resilient

and India's GDP is estimated to grow by 8.2% in the Financial Year 2023-24 as compared to the growth rate of 7.0% in the Financial Year 2022-23. This exceptional performance is a testament to India's robust economic momentum and resilience.

The year gone by, turned out to be highly favourable for your Company in terms of increasing our overall profitability as compared to the previous year. Our Profit Before Tax (PBT) grew by 22% from ₹346 Crore in the Financial Year 2022-23 to ₹421 Crore in the Financial Year 2023-24. The growth in profitability was primarily driven by exceptional performance of domestic Crop Protection business, structural turnaround of Dairy business, market share gains in Animal Feed and robust volume and margin growth in branded products in our Poultry business.

Before we dive into performance for the year, I would like to express my sincere gratitude to all our Shareholders for their unwavering trust and support in Godrej Agrovet Limited, especially during these volatile times. We truly value your contribution and remain steadfast in our commitment to create sustainable and long-term value for our esteemed Shareholders.

Sustained topline and robust growth in bottom line lays down a strong foundation for improved performance in the coming years

While the year presented numerous challenges, we made sure that the majority of your Company's businesses remained focused on increasing their market share and achieving robust volume growth. In the Animal Feed business, overall volume growth was ahead of the industry, supported by strong growth in Cattle Feed and Fish Feed categories. Profitability of ACI Godrej Agrovet Private Limited, Bangladesh (your Company's joint venture), improved remarkably on account of lower input costs. The Dairy business has successfully transformed its profitability structure in the Financial Year 2023-24 due to improvement in operational efficiencies and improved milk spreads. Sustained improvement in salience of Value Added Products (VAP) has also helped to boost margins.

In the Poultry and Processed Food business, our focus is on brand-building and channel expansion which helped in improving profitability along with consistent improvement in volumes. Improvement in profitability was also attributable to the higher live bird prices this year.

The Crop Protection business has delivered an outstanding performance throughout the Financial Year 2023-24. This was primarily driven by strong growth in sales of in-house and in-licensed portfolio and lower sales returns as compared to the Financial Year 2022-23. As a result, our topline grew by 36.8% and our segment margin stood at 31% in the Financial Year 2023-24.

Your Company's subsidiary, Astec LifeSciences Limited, delivered a strong topline and margin expansion in the Contract Manufacturing business segment. This positive performance was overshadowed by subdued performance in Enterprise products due to lower sales realisations and margins due to severe demand supply imbalance. We have commercialized new products in Quarter 4 of the Financial Year 2023-24, aided by the strong R&D capabilities to accelerate portfolio diversification.

For Vegetable Oil business, Financial Year 2023-24 was a very challenging year due to lower realisations, which came off record highs of Financial Year 2022-23. We have successfully commissioned the refinery and solvent extraction plant which will help to reduce the impact of volatility in prices of Crude Palm Oil (CPO) and Crude Palm Kernel Oil (CPKO).

Robust Balance Sheet, bolstering long-term sustainability

During the Financial Year 2023-24, your Company achieved an improvement in working capital profile and low debt to equity ratio. Net working capital days reduced to 43 days in the Financial Year 2023-24 as compared

to 47 days in the Financial Year 2022-23. This was achieved through a steadfast focus on credit hygiene and accelerated customer collections, primarily in domestic Crop Protection business. Also, your Company have lowered the debt-to-equity ratio from 0.48 in Financial Year 2022-23 to 0.45 in Financial Year 2023-24 reflecting a strong balance sheet, thus bolstering the Company for long term sustainable growth trajectory.

R&D and other future-ready investments to aid in long-term consistent growth

Godrej Agrovet continues to invest strategically in cutting-edge R&D capabilities across its business segments. Our subsidiary, Astec LifeSciences Limited, recently launched an advanced R&D Center for Chemical Research, complementing our existing facilities in Animal Feed, Oil Palm and Crop Protection. These timely investments position us at the forefront of innovation in the competitive agriculture sector. By strengthening our R&D infrastructure now, we aim to accelerate the development and commercialization of new products, enabling Godrej Agrovet's sustainable growth and market leadership in the coming years.

Way Forward

While our strategic focus areas remain largely unchanged, allow me to reiterate some of our commitments under our long-term sustainable growth plan. At Godrej Agrovet, we recognize that the Food and Agri businesses, not just in India but globally, are inherently volatile in nature. To effectively navigate this intrinsic industry characteristic, we have strategically diversified our operational portfolio over the years. Additionally, we benefit from operational efficiencies and economies of scale by centralizing and sharing certain key functions across our businesses, such as finance, legal, information technology, strategy, manufacturing and human resources.

As we look to the future, our Company is dedicated to enhancing resilience and profitability across all business segments. Our strategy aims to mitigate exposure to cyclical market fluctuations and increase the share of high-margin products in our portfolio. In Creamline Dairy, we will capitalise on the operational efficiencies achieved this year and increasing the contribution of the value-added products' portfolio in the overall business mix. For Godrej Tyson, our efforts are to consciously scale down the live bird contribution to the overall mix and scaling up the branded business which is margin accretive.

Going forward our focus will be on the Contract Manufacturing (CDMO) operations of Astec LifeSciences. With the help of the new state-of-the-art R&D centre in operation, we will leverage this asset to increase the contribution of CDMO segment within our overall revenue mix. In the domestic Crop Protection segment, we aim to diversify our product portfolio to serve both harvesting seasons and further developing a pipeline for in-licensed and in-house products. Meanwhile, in Vegetable Oil segment, we will concentrate on unlocking margins across the value chain through initiatives such as refining, solvent extraction and waste-to-wealth strategies.

These strategic moves position us to create sustainable value and drive growth in the coming years, reinforcing our commitment to agricultural innovation and operational excellence.

Digital Transformation – a must to achieve efficiencies

At Godrej Agrovet, we have embarked on a digital transformation journey to support the ambitions of our diverse business portfolio. During the Financial Year 2023-24, your Company dedicated significant efforts towards this endeavour, spanning most of our businesses. We commenced by identifying key problem statements and subsequently crafted a comprehensive future roadmap aimed at achieving desired efficiencies, automation and intelligence across our operations.

Building on this momentum, your Company plans to implement several such digital initiatives across sales and marketing, supply chain and manufacturing operations, enabling us to stay ahead of the curve and deliver exceptional value to our stakeholders.

Sustainability – A Godrej way of doing business

At Godrej Agrovet, our commitment to environmental issues and community development has always been meaningful and long-term, with a deep purpose. Your Company's sustainability targets are guided by the Godrej Group's Good & Green vision of creating a more inclusive and greener world. We are one of the two companies in Indian agricultural sector to be included in the "A" list – leadership band of Climate Disclosure Project (CDP). GAVL CDP scores are ahead of the global averages. We made good progress towards achieving 2025 sustainable targets led by a 77% of energy consumption from clean renewable energy sources as against a target of 90% and being water positive Company already conserving 20x more water than our consumption. Towards achieving Carbon Neutrality by 2035, we have sequestered 29,750 MT of CO₂ in Financial Year 2023-24 which accounts for 28% of the annual CO₂ emission target of GAVL. We have reduced our specific Green House Gas (GHG) emission by 22%, already ahead of the targeted 15% by 2026.

During the year, your Company successfully completed submission of Green House Gas (GHG) emissions reduction roadmap target in line with Science Based Target's (SBTi) "Well Below 2°C" scenario. In doing so, your Company became one of the first Agri companies in India to commit to reduction in Scope 1 & Scope 2 GHG emissions by 37.5% and Scope 3 emissions by 16.0% by 2035. The targets were also validated and approved by the global SBTi committee.

On the people front, our livelihood and entitlement enablement initiatives continue to focus on sustainable economic development of vulnerable and low-income sections of the society. Our CSR programmes positively impacted the livelihoods of over 10,000 households and benefited more than 1,100 students.

At Godrej Agrovet, we strive to create a safe and dignified working environment. We value diversity within the Godrej Group and are committed to offering equal opportunities.

Before I conclude, on behalf of the Board of Directors and the Management, I would like to thank our employees, business partners, customers, vendors, investors and other stakeholders for their trust, efforts and contribution to the Company. We sincerely hope for your continued support as we take this Company forward, the Godrej way.

Nadir Godrej
Chairman