Management Discussion and Analysis Report

A. Indian Economic Overview

Global economies which were impacted by uncertainties and volatility on account of Covid-19 fallout, prolonged geopolitical conflicts and monetary tightening by central banks amidst inflationary trends are witnessing gradual resurgence, marked by waning fears of recession and rebounding growth in major economies. However, there are some regional incongruences, with some regions experiencing subdued economic activity on account of geopolitical tensions. Globally, inflation management continues to remain a key priority. Despite these challenges, leading indicators suggest an overall expansion in economic activity driven by both manufacturing and service sectors.

India remains a bright spot in the revival of the global economy. The Indian economy continued to exhibit robust economic performance with broad-based growth across sectors. RBI also, in its recent MPC meeting, noted the strong growth momentum in the economy and projected real GDP growth for 2024-25 at 7 percent, driven by a pickup in rural demand and sustained momentum in the manufacturing sector. In its April 2024 WEO, IMF revised upwards its estimate of India's GDP growth for FY 2023-24 to 7.8 percent and of estimated a growth rate 6.8 percent in 2024-25 based on its assessment of strength in domestic demand and demographic advantage. In March 2024, India witnessed a surge across multiple economic indicators, reflecting robust and resilient business activity. The month marked significant milestones, from record-breaking performances in the stock market to remarkable advancements in tax revenue collection. The buoyancy extended to the manufacturing and services sectors, as evidenced by the soaring HSBC India Manufacturing PMI and Services PMI. The gross GST collections for the month of April 2024 hit a record high of ₹2.10 lakh crore which is a growth of 12.4 per cent year-on-year. In March 2024, the HSBC India Manufacturing PMI surged to an impressive 59.2, a notable increase from the final figure of 56.9 recorded in the previous month. This marks the fastest growth in factory activity since February 2008.

In March, India's services sector hit a peak, with exports surging to a fiscal year high. The HSBC India Services PMI soared to 61.2, marking one of the sector's most significant expansions in sales and business activity in nearly 14 years.

The Index of Industrial Production (IIP) for February 2024 brought forth encouraging insights into India's industrial landscape.

High inflation though, was a key challenge for the Government and this has resulted in RBI holding on to high policy rates and rise in lending rates.

Overall, India continues to be the fastest-growing major economy with positive assessments of the growth outlook for the current financial year, for India by international organisations and RBI.

B. Indian Agricultural Sector Overview

Agriculture and allied sectors continue to remain one of the most important sectors of the Indian economy and is the main source of livelihood for ~55% of India's population.

India has the world's largest cattle herd, the largest area planted for wheat, rice, and cotton, and is the largest producer of milk, pulses, and spices in the world. It is the second-largest producer of fruit, vegetables, tea, farmed fish, cotton, sugarcane, wheat, rice, cotton, and sugar. The agriculture sector in India holds the record for second-largest agricultural land in the world generating employment for about half of the country's population. Thus, farmers become an integral part of the sector to provide us with a means of sustenance.

The agriculture and allied sectors have remained resilient throughout the pandemic and geopolitical conflicts and is estimated to have grown by 0.7% in Financial Year 2023-24, as per Second Advance Estimates by Central Statistical Office (CSO).

Foodgrains production declined in kharif season due to deficient and unevenly distributed rainfall (both spatially and temporally) along with depleting reservoir levels. As of March 28, 2024 reservoir levels were at 36 per cent of the full capacity, below the last year's level of 43 percent.

Foodgrains production for 2023-24 is estimated at 3,093.5 lakh tonnes, 1.3 per cent lower than the final estimates of last year (as per Second Advance Estimates). Among major crops, the output of rice declined while that of wheat rose. Pulses production dropped with a sharp decline recorded during the kharif season. Among commercial crops, the output of oilseeds, cotton and sugarcane registered a sharp decline vis-à-vis last year. As per the First Advance Estimates (FAE), the production of horticultural crops during 2023-24 was placed at 355.3 million tonnes, marginally lower than the final estimates of 2022-23 and 1.2 per cent higher than the FAE of 2022-23

The high frequency indicators exhibit a mixed picture of rural activity as two-wheeler sales, agriculture credit and MNREGA demand indicate buoyancy while tractor sales and fertiliser sales suggest some softness in activity during H2. Prospects of rural activity, however, appear bright due to better prospects of agricultural output amidst the IMD's forecast of an above normal south-west monsoon in 2024 and accelerated pick up in informal sector activity.

The interim budget for FY24-25 has promised stepping up of value addition in agricultural sector and boosting farmer's income and has made substantial budgetary allocations as below:

Interim Budget Financial Year 24-25 – Highlights for the agriculture sector

- ***The allocation for the Agriculture ministry has been set at ₹1.27 lakh crore exhibiting an increase from revised estimates of ₹1.16 lakh crore in FY 23-24***
- ***Outlay for agriculture and allied activities enhanced to ₹1.47 trillion in FY2025 Budget Estimates (BE) from ₹1.41 trillion in 2023-24 Revised Estimates (RE)***
- ***Allocation towards modified interest subvention scheme increased to ₹226 billion for FY2025 BE from ₹185 billion for FY2024 RE***
- ***Allocation for Rashtriya Krishi Vikas Yojna increased to ₹75.5 billion for FY2025 BE from ₹61 billion for FY2024 RE***
- ***Allocation of ₹600 billion for FY2025 BE towards the Pradhan Mantri Kisan Samman Nidhi Yojna remains at similar levels as FY2024 RE***
- ***Promotion of private and public investment in post-harvest activities, including aggregation, modern storage, efficient supply chains, primary and secondary processing, as well as marketing and branding***

In view of the above mentioned, agriculture output is expected to remain robust and the sector is likely to continue on a growth path.

C. Key Business Segments

Your Company is a diversified, research and development focused agri-business company with operations across 5 (five) business verticals – animal feed, crop protection, oil palm, dairy and poultry and processed foods. The Company focuses on improving the productivity of farmers by innovating products and services that sustainably increase crop and livestock yields. Detailed information on the current performance and future strategy of these business segments is as below:

Animal Feed Business

The Animal feed business continued the growth momentum with sustained volume growth in key categories ahead of the industry average. Profitability improved significantly on account of softened commodity prices and improved realisations and your Company registered a growth of 31% in segment margins in Financial Year 2023-24. Cattle feed segment continued to reinforce its dominant position in Western region steered by portfolio of new products launched over the last few years. All of these recent products, with Samruddhi in particular, continued to witness a surge in demand and registered a robust volume. Aqua feed segment also recorded a growth in volumes in Financial Year 2023-24 led by market share gains in fish feed across key markets.

During the year, your Company infused additional investment of ₹25 Crore in Godrej Cattle Genetics Private Limited ("GCGPL") for business expansion and day-to-day operations. Having stabilised lab operations and onboarded large strategic customers, GCGPL continued to achieve new milestones in embryo production and sales.

Godrej Agrovet's 50:50 joint venture with Advanced Chemical Industries Limited (ACI), Bangladesh, named ACI Godrej Agrovet Private Limited, maintained robust growth momentum by further consolidating its market share in Bangladesh across categories and recording a modest 8% growth in top-line but a massive 117% year-on-year growth in bottom line.

In the coming year, Animal Feed business will remain committed to gain further share in its established markets while expanding into newer regions with new product development efforts backed by its R&D setup. Your Company will also launch several new initiatives to build a strong brand visibility and a deeper customer loyalty in an otherwise unorganised market by fully integrating its digital initiatives.

CROP PROTECTION

Crop Protection Business

In Financial Year 2023-24, deficient and unevenly distributed rainfall along with lower reservoir levels led to weak performance of domestic agrochemicals sector.

In the midst of a challenging year for the sector, GAVL's standalone Crop Protection business (CPB), delivered a stellar performance in Financial Year 2023-24. The segment registered a topline growth of 37% year-on year and segment margins grew significantly and were 3.4x of Financial Year 2022-23. The sales growth was led by in-house portfolio comprising of HITWEED range of herbicides coupled with in-licensed insecticides, GRACIA, which was launched in February 2022. Herbicides portfolio registered robust volumes in Financial Year 2023-24 while GRACIA continued to deliver strong volume growth. The spectacular results were achieved by having a single-minded focus on creating "Customer Delight". This involved end-to-end integration of on-field / demand generation activities, supply chain efficiencies and deep understanding of the needs of the end consumer. CPB team also achieved a substantial improvement in the working capital cycle and collections driven by concerted efforts in maintaining credit hygiene.

The Company's in-house herbicide and in-licensing insecticide products have created a strong niche in the fiercely competitive Indian Agrochemical sector. Going forward, along with the existing product portfolio, your Company will also focus on new product development through in-house R&D initiatives and in-licensing collaborations with innovators / large global players.

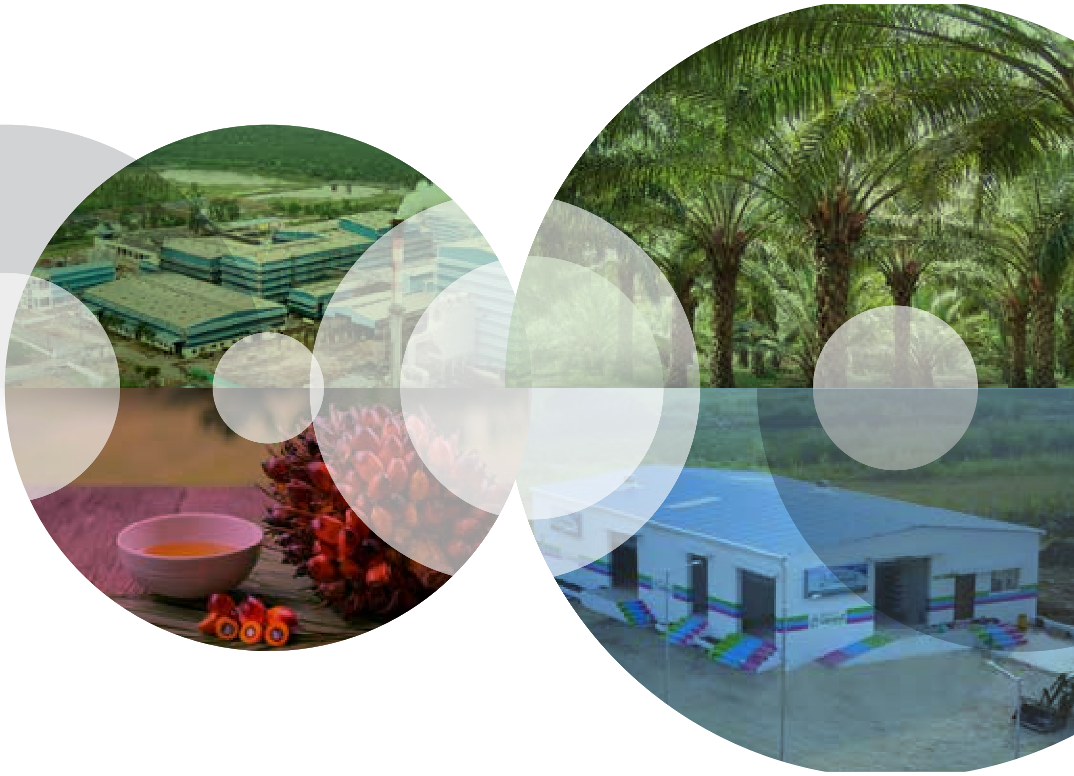
Your Company's subsidiary, Astec LifeSciences Limited, faced volume headwinds and price corrections in both exports as well as domestic markets. In the export markets, a number of active ingredients and intermediaries witnessed drop in volumes during the year on account of several factors such as high inventories, de-stocking strategies and demand-supply imbalance. As a result, Astec reported decline in revenues and losses in Financial Year 2023-24 as compared to the previous year. Nonetheless, Astec's performance in contract manufacturing (CMO) and new products segment was in line with the expectations with 67% growth in revenues as compared to the previous year.

The Company's investment in a new state-of-the-art Research & Development centre, named "Adi Godrej Centre for Chemical Research and Development" in Rabale, Maharashtra has started showing results with new products being commercialised in Financial Year 2023-24.

In the next Financial Year, Astec LifeSciences will continue to focus on scaling up R&D projects, diversification into other molecules as well as chemistries and expanding its customer base for contract manufacturing business. In addition to R&D facility, Astec has also initiated expansion of herbicides plant at existing Mahad facility during the year. With steadfast focus on R&D, business diversification and future-ready investments, Astec's management team remains committed to long-term strategic growth.

ASTEC LIFESCIENCES

OIL PALM



Oil Palm Business

Your Company is the largest oil palm processor in India and works directly with more than 11,000 farmers for the entire lifecycle of the crop.

During the Financial Year 2023-24, your Company completed the forward integration and margin expansion in Palm Oil value chain. Refinery with a capacity of 400 metric ton per day and Solvent extraction plant with a capacity of 200 metric ton per day were commissioned in Q1 2023-24.

Financial Years 2021-22 and 2022-23 had witnessed prices at record high levels for both Crude Palm Oil (CPO) and Palm Kernel Oil (PKO) primarily due to supply chain disruptions caused by Covid-19 fallout and geopolitical conflicts in the form of Russia-Ukraine war. With the gradual return of normalcy, the average realisations of end-products also returned to usual levels but were significantly lower as compared to Financial Year 2022-23. CPO & PKO prices were lower by 20% and 28% respectively over previous year. Consequently, the segment revenues and margins were lower.

GAVL continued to work aggressively on area expansion in the newly allocated areas in states of Assam, Manipur, Tripura, Nagaland, Orissa and Telangana. Your Company also signed multiple Memorandum of Understanding (MOUs) and received allocations from various state Governments – namely Telangana, Andhra Pradesh and Odisha during the year. With these newer opportunities, GAVL is working towards the goal to add 60,000 hectares of additional oil palm plantations over the course of the next five years to support the long-term sustainable development of oil palm in India. Similarly, to achieve this goal, GAVL launched a unique initiative called “Samadhan” centres, a one stop solution centre which would provide a comprehensive package of knowledge, tools, services and solutions to oil palm farmers. Your Company aims to establish Samadhan centre as a critical enabler in Indian Palm Oil industry and assist oil palm farmers in optimising their yields by adopting latest agricultural techniques and boosting their productivity. As a part of the Samadhan initiative, GAVL plans to establish 50 Samadhan centers across the India by 2027 with each center supporting ~2,000 hectares of area under oil palm. It will also help to support farmers to avail developmental finance, government subsidies/schemes and other benefits. GAVL has operationalised 8 new centres in Andhra Pradesh & Telangana in Financial Year 2023-24. With this the total count of Samadhan centres is 13 across key states of Andhra Pradesh & Telangana.

GAVL continued to make significant progress in several digital initiatives as well as ESG targets. To ensure traceability and transparency, GAVL has developed a web-based portal & an app 'Farmer Management System' for farmers and agents. The same is being fully revamped to provide improved service levels to all key stakeholders. We have also made satisfactory progress on our ESG goals for Oil Palm business and it continues to generate entire energy requirements inhouse, achieving net zero carbon emissions.

Dairy Business

Financial Year 2023-24 was a year of structural turnaround for our dairy business. Our dairy subsidiary, Creamline Dairy Products Limited ("CDPL"), reported a profit for Financial Year 2023-24 and has charted a path to sustained margin expansion. This was possible due to the significant improvement in operational efficiencies across all key areas of business i.e. milk procurement, supply chain & logistics, sales & marketing, etc. This led to a significant expansion in gross margin across all categories i.e. liquid milk and value added products.

Growth in VAP portfolio was led by market share gains in some of the key markets, primarily in curd, buttermilk and milk-based flavoured drinks. Share of VAP in total sales increased to 36% in Financial Year 2023-24 from 32% in Financial Year 2022-23.

In the medium term, CDPL will be focussing on two key levers for achieving a sustainable growth in profitability – (a) Volume growth led by VAP portfolio, and (2) Margin expansion through Procurement & Supply Chain Efficiencies. While liquid milk volumes will continue to grow at a steady pace, rapid expansion of VAP portfolio would be a key priority in the coming year. This will be supplemented by strengthening the direct milk procurement network and improving operating leverage. Your Company remains fully focused on improving the profitability of CDPL.

POULTRY & PROCESSED FOOD

Poultry and Processed Food Business

Godrej Tyson Foods Limited ("GTFL") continued to build on improving & sustaining operational efficiencies and delivered excellent improvement in profitability. The profitability for the year improved significantly over Financial Year 2022-23 and was 2.8x of Financial Year 2022-23 segment margin, while topline remained flat. This was a result of robust volume performance in branded categories coupled with recovery in live bird prices.

Amongst branded categories, Real Good Chicken (RGC) continued to register a volume growth of 16% for the second straight year on the back of QSR and Institutional sales.

On operational front, the live bird business continued to sustain healthy improvement in key performance metrics such as feed conversion ratio, hatchability success rate etc. Improved realisations in current financial year resulted in significant improvement in profitability.

GTFL would continue to focus on rapidly increasing the proportion of branded categories in the overall revenue mix to improve margin stability in the long term. In RGC, the emphasis would be on brand building and accelerating e-commerce channel for enhancing retail presence. In Yummiez segment, GTFL's aim is to scale up volume growth through expanding product portfolio and by adding new sales channels for increasing the distribution reach.

Opportunities, Strengths, Concerns

Opportunities and Strengths

- **Increase market share in existing business verticals:** Several sectors in which your Company operates are largely unorganized, therefore, cost leadership is a key enabler for your Company to increase the market share of its products in those segments. The Company's ability to increase sales will be strengthened by continued focus on offering a wide range of innovative products across all business verticals which will help in gaining market share. Additionally, in the medium-term, due to supply chain disruption and lack of liquidity leading to the closure of smaller business units, larger players with strong balance sheets will gain market share.

- **Pan-India presence with extensive supply and distribution network to benefit the Company in the long-run:** Your Company has a pan-India presence and operations spanning across 5 (five) business verticals. The Company has set up processing facilities and supporting infrastructure as well as R&D to develop a modern operating platform across key agriculture verticals. As a result of its widespread network and significant operational experience, the Company is well placed to identify key market trends and introduce a range of innovative and value-added products in the market to cater to the evolving needs of the customers. The nationwide footprint also allows the Company to leverage the competitive advantages of each location to enhance competitiveness and reduce geographic and political risks in businesses.

- **Diversified businesses with synergies in operations:** Segmental and geographical diversification across business verticals provide a hedge against the risks associated with any particular industry segment or geography while benefiting from the synergies of operating in diverse but related businesses. Synergies across diverse businesses provide the ability to drive growth, optimize capital efficiency and maintain competitive advantage. The Company also derives operational efficiencies by centralizing and sharing certain key functions across businesses such as finance, legal, information technology, strategy, procurement and human resources.

- **Strong Research & Development (R&D) Capabilities:** The Company's emphasis on R&D has been critical to its success and a differentiating factor from competitors. Dedicated R&D is undertaken in existing products primarily with a focus to improve yields and process efficiencies. The Company also focuses on R&D efforts in areas where there is significant growth potential. Through our subsidiary Astec LifeSciences Limited, your Company has access to strong R&D capabilities in the agrochemical active ingredients category. Investment is also being made in developing innovative technologies to further grow our product portfolio across businesses.

- **Focus on inorganically growing business offerings:** Your Company will evaluate inorganic growth opportunities, in keeping with the strategy to grow and develop market share or to add new product categories. Your Company may consider opportunities for inorganic growth, such as through mergers and acquisitions, if, amongst other things, they consolidate market position in existing business verticals or achieve operating leverage in key markets by unlocking potential efficiency and synergy benefits. Your Company can also look at opportunities that will strengthen and expand its product portfolio and increase its sales and distribution network.

Threats, Risk & Concerns

- **Unfavourable local and global weather patterns can have an adverse effect on the business:** As an agri-based Company, the businesses are sensitive to weather conditions, including extremes such as drought and natural disasters. The availability of raw materials required for operations and the demand for products may be adversely affected by longer than usual periods of heavy rainfall in certain regions or a drought in India. The occurrence of any unfavourable weather patterns may adversely affect business, results of operations and financial condition.

- **Availability of raw materials and arrangements with suppliers for raw materials:** Each of the businesses depends on the availability of reasonably priced, high-quality raw materials in the quantities required by operations. The price and availability of such raw materials depend on several factors beyond the Company's control, including overall economic conditions, production levels, market demand and competition for such materials, production and transportation cost, duties and taxes and trade restrictions. The Company typically sources raw materials from third-party suppliers or the open market which exposes the Company to volatility in the prices of raw materials and dependence on third-party for delivery of raw material. Also, any inability to procure raw materials from alternate suppliers in a timely fashion, or on commercially acceptable terms, may adversely affect operations.

- **Improper handling, processing or storage of raw materials or products:** The products that your Company manufactures or processes are subject to risks such as contamination, adulteration and product tampering during their manufacturing, transport or storage. Inherent business risks exist in form of product liability or recall claims if products fail to meet the required quality standards or are alleged to result in harm to customers. Such risks may be controlled, but not eliminated, by adherence to good manufacturing practices and finished product testing. Although the Company has product liability insurance cover for domestic and international markets for businesses, it cannot assure that this insurance coverage is adequate or that any losses will be adequately compensated by the insurers in the event of a product liability claim.

- **Seasonal variations in the businesses:** Your Company's businesses are subject to seasonal variations that could result in fluctuations in performance. For example, in the animal feed business, the Company sells lower volumes of cattle feed during the monsoons due to the availability of green fodder. In the poultry and processed foods business, the demand for poultry products is higher in the second half of the Financial Year since the consumption of poultry meat and eggs is higher during winter months, while the sale of such products is lower during certain religious festivals. As a result of such seasonal fluctuations, sales and results of operations may vary by fiscal quarter. The sales and results of operations of any given fiscal quarter may not be relied upon as indicators of the sales or results of operations of other fiscal quarters or future performance. In addition, financial performance is also impacted by other risks such as inability to manage diversified operations, dependency of revenue from animal feed business and dependency of the utilization of services of third parties for our operations.

D. Disclaimer:

The statements in the "Management Discussion and Analysis Report" describe the Company's objectives, projections, expectations, estimates or forecasts which may be "forward-looking statements" within the meaning of the applicable laws and regulations. Actual results may differ substantially or materially from those expressed or implied therein due to risks and uncertainties. Important factors that could influence the Company's operations, ***inter alia***, include global and domestic demand and supply conditions affecting selling prices of finished goods, input availability and prices, changes in government regulations, tax laws, economic, political developments within the country and other factors such as litigations and industrial relations.

Company's Financial Performance

Consolidated Performance:
For the Financial Year 2023-24, your Company reported consolidated total income of ₹9,602 Crore as compared to ₹9,481 Crore in the previous Financial Year. Profit before exceptional items and tax was ₹473 Crore in FY 2023-24 as compared to ₹378 Crore in the previous Financial Year.

The key highlights of Consolidated Financials for the Financial Year ended March 31, 2024 are as under:

Particulars (in ₹ Crore)	FY 2023-24	FY 2022-23
Total Income	9,602	9,481
Earnings Before Interest, Tax, Depreciation and Amortization*	757	564
Profit Before Tax*	434	280
Profit After Tax*	370	240
Total Comprehensive Income	358	291

* Excluding non-recurring & exceptional items

Key Financial Ratios

The key financial ratios for Consolidated financials are as per the below table:

Particulars	FY 2023-24	FY 2022-23
Debtors Turnover Ratio	17.4	12.3
Inventory Turnover Ratio	7.0	6.7
Interest Coverage Ratio	4.9	4.5
Current Ratio	1.0	1.0
Debt Equity Ratio	0.5	0.5
Operating Profit Margin (%)	7.3%	5.6%
Net Profit Margin (%)	3.8%	3.2%
Return on Net worth (%)	12.3%	10.7%

The formulae used for computation of key financial ratios are as follows:

Debtors Turnover Ratio	Net Sales / Average Trade Receivable
Inventory Turnover Ratio	Cost of Goods sold / Average Inventory
Interest Coverage Ratio	Profit Before Interest and Taxes / Finance Costs
Current Ratio	Current Assets / Current Liabilities
Debt Equity Ratio	Total Debt / Shareholder’s Equity
Operating Profit Margin (%)	Profit Before Interest and Taxes / Net Sales
Net Profit Margin (%)	Profit After Tax / Net Sales
Return on Net worth (%)	Profit After Tax / Average of Total Equity