



Published Date: 17 Feb 2015

Godrej Agrovet plans `400 cr expansion


Firm will add new facilities in animal feed, agro chemicals and oil mill segment; eyes in-licensing deal with Japanese firms

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Mumbai: Diversified agribusiness company Godrej Agrovet Ltd would spend Rs 400 crore in capital expenditure over the next three years.

The company will add new facilities in animal feed, agro chemicals and oil mill under the capex plan.

 Enlarge Image Balram Singh Yadav, managing director, Godrej Agrovet, said the company has over the past five years spent around Rs 500 crore towards modernisation of capacity. “The new capital expenditure is aimed at furthering the modernisation exercise and new facilities will be added to the portfolio as well. The money will be spent in three areas. New animal feed mills that will involve replacement as well as addition of capacity. The second area will be a greenfield agro chemical plant and the third an oil mill.” The company will run out of capacity in a year in its oil palm plantation business and would complete the new plant by FY16-17. The three businesses will consume around Rs 400 crore in capital investment in the next three years, Yadav said. While the oil mill will set up in Andhra Pradesh, the agro chemical plant will come up in Gujarat and land has been acquired for it. “The location for animal feed mills is still work in progress,” he said.

While it can fund the expansion through internal accruals, the company is not averse to the idea of borrowing given its healthy debt-to-equity ratio of 0.5:1.

“While I don’t see that happening but we can consider borrowing in case there is a need to increase the capital expenditure plans in the given time-frame,” said Yadav.

In the seeds business, Godrej Agrovet has been buying third-party genetic variety or germplasm (a living tissue from which new plants can be grown) to multiply and sell in the market.

The company is now working on developing its own germplasm, which will take two more seasons to be ready.

“Research and development activities typically take four to five years to materialise, and we will have our own intellectual property (IP) protected genetic variety (germplasm) post fiscal 2017. Apart from corn, we are also working at bajra and rice. We kick-started the R&D process in 2012 and will take two more kharif seasons. So by 2016 we should be ready with our own variety and commercialisation will happen in the kharif season of 2017,” he said.

The company is looking at in-licensing opportunities with Japanese companies.

“It is very early stages and we are working aggressively in this direction. The opportunities being looked at

include collaborations, in-licensing arrangement / understanding with Japanese chemical suppliers. The idea is to get some chemicals to sell in the Indian market and the nature of business is purely buying and selling. It may not be an exclusive arrangement though," he said.