

---

# FROM THE DESK OF THE **CHAIRMAN**



**Mr. Nadir B. Godrej**  
(Chairman)

## **Dear Shareholders,**

I hope you and your families are doing well and are staying safe.

We are currently dealing with highly challenging times and the situation is changing very rapidly. The outbreak of COVID-19 has disrupted operations and economic activities globally and in India. Managing in these tough times will require a high degree of nimbleness and co-ordination amongst people. We at Godrej Agrovet are swiftly adapting to these changes and are working towards serving our customers in the most efficient way.

Financial Year 2019-20 was a difficult year as India's gross domestic product is expected to have grown at 4.2% which is the lowest growth rate seen in recent years. This was mainly due to the low growth of 3.2% estimated in the fourth quarter of the year. The agriculture sector is expected to grow by 4.0% which is broadly in line with the overall growth rate, thanks to a good Rabi season. However, macro indicators for a few of our businesses were unfavourable, with high commodity prices on one hand and low output prices on the other hand.

In the current Financial Year 2019-20, revenue growth was healthy with total income growing by 17.4% year-on-year to ₹7,011 Crore. However, profit before tax (excluding the non-recurring and exceptional items) declined by 22.4% year-

---

on-year. Low output prices in the vegetable oil business and commodity headwinds in the food businesses (dairy and poultry and processed products) lowered the profitability in the first nine months. In January, our food businesses had started showing signs of recovery with increases in output prices, but rumours of linking COVID-19 spread to poultry consumption severely hampered volumes, prices and profitability of the animal feed business and the poultry business.

Segment-wise, our feed businesses have shown a strong performance, even after considering the impact of the COVID-19 outbreak in the fourth quarter. In the Animal Feed segment the revenue and the segment result grew by nearly 20% each. Shrimp Feed volumes improved for the first time after four years and our joint venture ACI Godrej in Bangladesh grew its profits before tax by more than three times. In our subsidiary Astec LifeSciences, revenue and profit before taxes (excluding non-recurring items) posted strong growth. In the Crop Protection business, we successfully launched an in-house cotton herbicide 'Hitweed Maxx' and an in-licensing herbicide 'Hanabi' thereby growing our product portfolio. In the Dairy business, we have launched 'Jersey RECHARGE'- an energy drink with nourishing milk protein and in our processed foods business, we have launched a range of vegetarian ready-to-cook products keeping in mind the growing demand for quick solutions in otherwise busy lives.

Your Company plays a very critical role in India's food supply chain as our end products form part of essential commodities. Your Company has operations across India and all the factories were operational in April 2020 after obtaining necessary approvals. Teams across locations have been working relentlessly to ensure smooth supply of our end products. Your Company has put in place the requisite health and safety measures at various locations and are continuously reviewing them to ensure utmost safety of our people.

The current economic environment is highly uncertain as the extent and impact of the pandemic is unknown.

Given the extended lockdown, various agencies expect both the global and the Indian economy to contract in the Financial Year 2020-21. However, agencies also expect the agriculture sector to be more resilient compared to other sectors, as it forms part of essential goods and services. Further, the agriculture sector is expected to recover faster, once economic activity picks up. The macroeconomic indicators are positive for the sector with the strong expectation of an above normal monsoon, high water reservoir levels and good crop prices. In addition, multiple measures announced in the Government stimulus package will encourage private sector participation in the sector and will help increase income for the farmer. However, adequate labour availability in factories remains a near-term challenge which could impact production.

In the medium-term, I believe more opportunities will emerge in the agriculture sector, such as a shift from the unorganised sector to the organised sector, the increase in consumption of ready-to-heat and ready-to-cook products and the increase in contract manufacturing opportunities for Indian agrochemical companies. Your Company is well-equipped to manage the current situation based on the strong business continuity plan put in place and also to capitalise on opportunities given our strong balance sheet and diverse business portfolio.

We at Godrej Agrovet are fully committed to support our nation, customers, business partners and employees. I would like to thank our employees, business partners, vendors and other stakeholders for their efforts and contribution to the Company. Together we will all go to new heights.

Yours sincerely,

**Nadir Godrej**

Chairman, Godrej Agrovet Limited