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CIN : L15410MH1991PLC135359

Date: November 6, 2024

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 of the Company with Investors & Analysts held on Wednesday, October 30, 2024 at 3.30 p.m. IST:

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 with the Investors and Analysts held on **Wednesday, October 30, 2024** 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=133634372175148151 6gUUd1H02ADx9p, 2.5.4.20=c93dfbaf03e720cee37b88d8b1979f2b4bf2ea739d07629581c665c57ade4e50, postalCode=400064, st=Maharashtra, serialNumber=822cdf346a33a6951367aba2705ab403bbdd9d33043f37472c57bc25558972e9, cn=Vivek Pritamlal Raizada
Date: 2024.11.06 10:26:13 +05'30'

Vivek Raizada
Head – Legal & Company Secretary & Compliance Officer
(ACS - 11787)

“Godrej Agrovet Limited

Q2 FY'25 Earnings Conference Call”

October 30, 2024

MANAGEMENT:	**MR. NADIR GODREJ – CHAIRMAN – GODREJ AGROVET LIMITED** **MR. BALRAM 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. PROBAL SEN – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to the Godrej Agrovet Limited Earnings Call. As a reminder, all participants' 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. I will now hand the conference over to Mr. Probal Sen from ICICI Securities. Thank you and over to you, sir.

Probal Sen: Thank you very much. Good afternoon, ladies and gentlemen. Thank you so much for making the time for joining us on this Godrej Agrovet Q2 FY25 Earnings Conference Call.

From the company, we have members of the senior management with us, including Mr. Nadir Godrej, Chairman of the company, Mr. Balram Yadav - Managing Director, Mr. S. Varadaraj - Chief Financial Officer, and we also have Mr. Arijit Mukherjee - Chief Operating Officer of Astec Lifesciences, who is joining the call. We would like to begin the call with a brief opening remark from the management, following which we'll have a forum open for an interactive question and answer session. Before we start, I would like to point out that some statements made in today's call may be forward-looking in nature, and a disclaimer to this effect has been included in the earnings presentation shared earlier. I would now like to invite Mr. Nadir Godrej to make his opening remarks. Over to you, sir.

Nadir Godrej: Good afternoon, everyone. I welcome you all to the Godrej Agrovet Earnings Call. Godrej Agrovet continues to deliver improvement in profitability, with the exception of Astec LifeSciences and the Poultry business. EBITDA margins, excluding non-recurring items, improved in Q2 FY25 by 70 bps and by 130 bps, excluding Astec's, as compared to Q2 FY24.

Coming to the key financial and business highlights of each of our business segments. In Animal feed, the segment margins improved sharply from 4.6% in Q2 FY24 to 5.9% in Q2 FY25 on account of favorable commodity positions and cost optimization measures. Further, EBIT per metric ton improved significantly from ₹ 1,531 in Q2 FY24 to ₹ 1,953 in Q2 FY25. While there was a marginal degrowth in volumes of cattle feed due to subdued milk prices, the layer and broiler feed volumes grew sequentially and also year-on-year.

Our Vegetable oil segment revenues in Q2 FY25 were flat, as higher realizations of end products were offset by lower fresh fruit bunch arrivals. Segment margins improved on account of better oil extraction ratio, OER, and accretive downstream value addition.

The Standalone crop protection segment results witnessed strong growth in Q2 FY25. Our segment margins improved significantly from 30% in Q2 FY24 to 43% in Q2 FY25, primarily due to lower doubtful debts and control over fixed costs. However, segment revenues were lower by 24% due to the erratic rainfall in key states, which reduced spraying opportunities and resulted in higher sales returns in the herbicide category.

Astec LifeSciences continued to experience pricing pressures in the enterprise products business and lower-than-expected volumes in the CDMO category due to a cautious approach adopted by our CDMO customers. This adversely affected both revenue and margins.

In Q2 FY25, our Dairy segment continued to demonstrate margin expansion, with EBITDA margins improving by 140 basis points. This enhancement was primarily driven by operational efficiency-led gains and an improved milk spread, despite a flat top line.

In a seasonally weak quarter, the Poultry segment recorded a decline in revenue, primarily due to lower volumes in the live bird business, as we continued to focus on branded business and reduce our exposure to the live bird business. Segment margins were adversely impacted due to unfavorable channel and product mix.

GAVL's joint venture in Bangladesh, ACI Godrej, recorded a decline in revenues of 6% year-on-year in Q2 FY25 due to volume contraction and pricing pressures in the backdrop of a challenging political and economic environment.

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. The first question is from the line of Abhijit Akella from Kotak Securities.

Abhijit Akella: Thank you so much for taking my questions. My first question is actually with regard to the senior management position. I understand that Mr. Balram Yadav's retirement is scheduled towards the end of this financial year. In that context, if you could help us understand the company's plans for succession for the top job, that would be helpful.

Nadir Godrej: Do you have a second question as well?

Abhijit Akella: Yes, that's more on the Astec side, but if you could please start with this.

Nadir Godrej: In that case, I'll answer the first question. We have good processes in place for succession planning, and we are actually interviewing candidates, and they are being examined. We will soon come to a conclusion, and we expect a smooth transition. We have had other CEO transitions in the group in recent years in GCPL, GIL, and Godrej Properties, and all of them have gone very smoothly, and we expect that this will also take place smoothly.

Abhijit Akella: Thank you very much. And then moving on to Astec. So, for Astec, have we already found a replacement for Mr. Anurag Roy? That was one. And with regard to the CDMO business, which is under pressure at present, we've previously guided to something like a 50% plus revenue CAGR over the next two or three years. So, is that something that's still visible for this year at least, and how do you see the outlook for that business from 3Q onwards?

Balram Yadav: So, I'll answer about Mr. Anurag Roy's replacement, and the CDMO pipeline, Mr. Arjit will answer. Yes, definitely, I think we will have to find out a CEO eventually. But at present, we are more focused on augmenting the team with CDMO specialist talent on our roles and also consultants overseas, because we want to push this. The recruitment and hiring of the CEO will take some time, but I think our priority is to develop this CDMO team and give some acceleration to this process. In the meantime, Mr. Arijit will take care of the business, and I will oversee this business.

Arijit Mukherjee: Yes, regarding the CDMO question, year-on-year, we see a 50% growth over last year in terms of revenue. Only thing we will find that H1 last year had a little bit higher revenue in comparison to this year, but then we'll catch up in the H2, because a little bit change in terms of the cropping season and the buyer's buying behavior, it has shifted towards H2. But overall, the earlier guidance remains the same, we'll see a 50% growth over last year.

Abhijit Akella: Okay, just to clarify, so last year's CDMO revenue was about ₹ 270 odd crores, we're still expecting north of ₹ 400 crores or ₹ 450 crores for this year, is that right?

Arijit Mukherjee: Yes, very near to ₹ 400 crores we are targeting. This means we will be achieving that ₹ 400 crores.

Abhijit Akella: And maybe one last thing here, could you please help us understand the size of the order book at Astec. Any metrics you could share in that regard, just to help us understand how the order book is positioned and what sort of visibility you have with regard to this CDMO ramp up? And also, the herbicide plant that has just been commissioned, is that going to be a major contributor to revenues in the second half of this year? Thank you so much.

Arijit Mukherjee: Generally, we do not share the order book position, but I can say that we are confident enough in terms of achieving the targets. So, the discussions are ongoing and some are closing and some will take a little bit time to close. Herbicide 2, yes, it has been commissioned on time and that will play big role in terms of achieving this target.

Balram Yadav: So, Abhijit, I'll add one thing is that definitely it's not like old times, that at the beginning of the year, we ended up selling 80%-85% of our capacity. So, I think the times are very different now. The second thing is this herbicide plant, definitely, the assumptions for that plant capacity utilization are definitely pushed by a year or two. And I feel that probably it will be only in FY26 that we will see upwards of 60%-70% utilization of this plant.

Abhijit Akella: Okay, thank you very much, sir. I'll get back in the queue for more.

Moderator: Thank you. The next question is from the line of Nandita Rajhansa from Marcellus Investment Managers. Please go ahead.

Nandita Rajhansa: Thank you so much for the opportunity. So, I have a couple of questions. One is around Animal Feed and the second one is around Dairy. So, in terms of Animal Feed, what is the progress with the Fish Feed segment? Because in the presentation, we did not get any color on how that segment grew in this quarter. On the Dairy business, I wanted to understand why the value-added product savings, that VAP savings, gone down from 42% last quarter to 32% this quarter. If the management can get some color on that. Thank you.

Balram Yadav: So, Fish Feed is having a tough time this year in the whole country. If you see, fish production has taken a hit because of very erratic rainfall and then towards the end of the season, a lot of rainfall. So, we have de-grown in Fish Feed in the first half of the year. We believe because the season has extended, because the positive side of good rainfall is also that you have ponds filled for a longer time. So, we believe some kind of upswing will come. But I don't think that we will be able to achieve last year's averages in the Fish Feed. But this is a standard phenomenon of this industry. It is cyclical and after every two years, we have a poor year. But the fish prices go up like they have gone now. We believe that the stockings, once winter is over, will be good. And we will be back to normal growth period in fish production sometime early next year.

On Dairy, yes, value-added products contributed 32% of total sales. But one of the reasons why Q2 is less than Q1 is because of seasonality. You know that when it rains, and it rained a lot in Q2 this year, the curd, the buttermilk, the lassi, the cold drinks, etc., their sales go down. But I can definitely say that it is much higher than Q2 of last year, marginally.

Nandita Rajhansa: Right. So, VAP salience is expected to go up and then be in this range.

Balram Yadav: I think that it will go up again and we'll finish the year above 40% easily.

Nandita Rajhansa: Okay. Thank you so much.

Moderator: Thank you. The next question is from the line of Sarvan Vora from Premier Capital. Please go ahead.

Sarvan Vora: Thanks for the opportunity. My first question is on Godrej Agrovet. So, we've been discussing in the prior calls about the structuring of the business. Any update the management can give or has for sharing with us?

Balram Yadav: So, I think the idea is to clean up the portfolio because we have so many joint ventures, etc. The first step, we have already taken by acquiring 49% shares of Tyson. As and when the opportunity comes, I'm sure that we will take decisions either way.

Sarvan Vora: Right, and in this quarter, we've mentioned that there has been an import duty, that is import on palm oil. So, what is the outlook for the business for the second half of the year?

Balram Yadav: So, I think the second half is promising to be better than last year's second half because the oil palm season in this country has been postponed a little. And it happens whenever there is a long tail of monsoon. So, the October, November, December, the tapering is much, I would say, slower than what it used to happen earlier.

So, we believe that the second half is going to be very good. We also believe that the prices are going to prevail because not only the duty, but also there is not much overproduction or more than average production in Indonesia and Malaysia. And you must have seen that the markets are on fire, even though everything is not directly linked to India. But we believe the prices are going to be high and the margins will be more. You must always remember that all the price increases will not come to us because almost 70%-80% is shared with the farmers. That is the formula. So, we are expecting an upside of ₹ 13 crores to ₹ 15 crore at today's prices in the second half.

Sarvan Vora: Right. And now my second question is on Astec LifeSciences. So, we are saying that this year we hold a guidance of 50% growth in the CDMO side, while our commentary also in the press release mentions that on the enterprise side also, we are seeing some early improvement. So, is this business now looking upwards for the second half and going into FY26?

Arijit Mukherjee: In terms of enterprise business, yes, the demand is slowly picking up, but the prices are much lower because of the Chinese pressure and a little bit of inventories and baptism in the Latin American countries. Prices are not picking up, yes, but overall, it is slightly better than, say, last four or five quarters. CDMO, yes, till now, we stick to that, that there will be a 50% growth over last year.

Sarvan Vora: Right. So, Mr. Yadav mentioned that for the herbicide, the plan that we commissioned this quarter, the full capacity utilization is pushed by a little time because of overall slow demand. So, what capacity would we use to achieve this ₹ 400 crore of turnover?

Arijit Mukherjee: Normally, it takes around three years to have a full capacity. This year, we'll be using around 30% of the capacity. And one of the improvement reasons for H2 will be this additional capacity also. That's why H2 will be looking much better than H1.

Sarvan Vora: Right. And just one last question, sir. So, debt levels at Astec have increased due to subdued performance for some time. So, any thoughts around that, that the management can share?

Balram Yadav: So not yet. We are still hopeful that things will start improving. So, we do not want to do any capital raise or anything for some time. Let us see. But having said that, I must tell you that even though we see some green shoot in Astec, but we have got this feeling several times in last few quarters. So, I would not say with confidence that things have really turned around. And I must tell you that China is hammering us very badly in several categories. Not only Astec LifeSciences, but a lot of companies in this sector. So, I think, until some sanity prevails in their pricing of products, it is not easy to say that we will be out of the woods in next one or two quarters.

Sarvan Vora: Right, sir. Thank you. Just one feedback, sir. Because we report Astec results five, six days before the Agrovet results, and we combine the call, it would be very helpful if we can do a little more detailed press release or maybe do the call earlier. Because still in the interim, for five, six days, it adds to a lot of uncertainty. So just the feedback on my part.

Balram Yadav: Sure, either of these things will be done. Either the board meeting will be brought closer or we'll have a separate call.

Sarvan Vora: Yes, sir. Thank you so much, sir. Happy Diwali to the team.

Moderator: Thank you. The next question is from the line of Rikin Shah from The Boring AMC. Please go ahead.

Rikin Shah: Hi. My question is on the Astec side. So, in terms of the discussion that was had last quarter's conference call, it was mentioned that the board was reviewing whether some of the life cycle of the enterprise products was exhausted or not. And there were also talks on some capacities being rejected in the enterprise side, so that a turnaround could be shaped up around that. So, is there any development on that side?

Arijit Mukherjee: So there have been two approaches to this solution. One, yes, some of the capacities already. If you see some of the capacities we are using for new products, the new product launch, which has happened in these two quarters, is using the existing capacity. Secondly, yes, some of the life cycle we are trying to manage in terms of we will be reducing some of the capacities and using it for some other products. But it will take some time to materialize, because that will be the question of registration, buyer's agreement. So, this takes time. But on both the fronts, we are working.

Rikin Shah: All right. And in terms of Mr. Roy's exit, so all the contracts that we may have signed or potentially are going to sign, does it affect anything in terms of any potential clients that might be affected after his exit?

Balram Yadav: Nothing, no effect at all. We have communicated with all the clients. So, everything is in order.

Rikin Shah: All right. That is all from my side. Thanks.

Moderator: Thank you very much. The next question is from the line of Hitesh from Kosha Capital. Please go ahead.

Hitesh: Hi. Thanks for the opportunity. So there have been quite a few exits in the last six months in Astec. Even I guess in the month of August, there was an exit at a very senior level in the R&D side. Any reason why there have been so many exits? And what are we doing to really have a control on this or how are we looking to fill the gaps of these exits?

Balram Yadav: So, I think the two exits you are talking about, the CEO and CFO. So definitely, CFO has been recruited and already in place. And I must tell you that whenever businesses have some tough time and they go through severe ups and downs, definitely we have seen, not only in this business, but several other businesses also, that people leave. But the way we are structured is that neither power nor knowledge is concentrated only in one person. And that is the advantage of being part of a conglomerate like Godrej Agrovet and the Godrej Group at a higher level. So, I am saying that such exits at certain levels, which you call very high, do not affect the business that much because everything is transparent. The processes are in place. SOPs are in place. And there was a question earlier that what will happen to the contracts after Mr. Roy's exit? I think none of the contracts are negotiated alone. There is a committee which negotiates the contract and people. But I think I will just reiterate that definitely these exits have been there, but the business remains unaffected. We have recruited people. We are in the process of recruiting more people. So, I think that we don't like these exits, but it's okay, we can manage.

Hitesh: Sure. And my second question is on the CDMO side. I believe last year we had introduced eight new molecules. This year, I believe we are already through with three, four, five years. What is the plan or how many new molecule introductions have happened in the current year? And also, you know, on the R&D side, because I think that is a large investment we made and we have been talking quite a lot about the capabilities there. I know not everything can fortify, but at least how many new programs are undergoing there. Just to have some visibility in terms of where the entire piece is headed to the CDMO piece?

Balram Yadav: In CDMO?

Hitesh: Yes, that's right. So CDMO, last year we had about eight new molecules introduced. I am referring to the Astec CDMO business.

Arijit Mukherjee: So, total this year we have introduced one new molecule and total molecules will be nine. Eight was for the past and one new molecule, and in case of R&D, we are in discussion with several companies for new projects but these falls under NDAs would not be able to disclose the number, but I think this will be significant enough to run the R&D right now. And that is one more addition which we are doing. We are now also working in the development phase. Since we are working with innovators during the development phase, the scale of optimization, everything we are doing. These are major shifts from our previous R&D. We were only in terms of replicating for optimization. So, this will involve more on the CDMO portion, both the development portion also. So that is a major development because of the new R&D investment.

Hitesh: So, the nine molecules that we have introduced, that was basically replicating the existing molecule, the new project that we are doing.

Arijit Mukherjee: Nine is the total molecule. The introduction is only one for this year. And these are not in the development molecules as such. The development molecules are still in the R&D.

Hitesh: Sure. How many such molecules will be there in the development phase? At least a number if you can share?

Arijit Mukherjee: It is difficult to stage a number because these are the very new molecules. So, we won't be able to share the numbers as such.

Hitesh: No worries. And just the last thing, I know you don't disclose the margins for CDMO and enterprise separately, but at least qualitatively, is the margins intact, what it was last year in the CDMO front for the current year, that is FY25 or are we seeing pressures there?

Balram Yadav: Yes, the enterprise margins have been registered because of the pricing pressures are extremely low. So, I must also add that in enterprise, there are lots of inquiries, but at very low price.

Hitesh: Sure. So, the CDMO margins are still stable, enterprise we are seeing a sequential recovery, right?

Arijit Mukherjee: CDMO is intact.

Hitesh: Sure. Thank you so much.

Moderator: Thank you. The next question is from the line of Gunit Singh from Counter Cyclical PMS. Please go ahead.

Gunit Singh: Hi, sir. Thank you for this opportunity. I have a question regarding Godrej Tyson. So, sir, even though the share of branded products have increased, our EBITDA margins have gone down. So, EBITDA of ₹ 5 crores versus ₹ 19 crores in the same period last year. And I think that the maize prices are lower in Q2 as compared to Q1, sequentially. So, I mean, what are the main reasons for a fall in EBITDA margins? Can you please throw some light on that?

Balram Yadav: Sure. So, input into the branded business, which are Real Good Chicken and Yummiez, is also chicken meat. So there have been two issues in Q2. One is that the chicken meat costs were very high because of a lot of disease incidents, etcetera. And it was very unusual also. The second thing is that Q2 normally is a low consumption quarter in the country because of Shraddh, Navaratri, Shravan etcetera. So normally, if you see, all Q2s are going to be very, very tough for us. But having said that, I think things have come back to normal in the month of October, and you will see a secular increase in margins in this quarter and the next quarter.

Gunit Singh: All right. So, you're saying that basically Poultry prices were higher than usual in Q2?

Balram Yadav: Cost. So, one of the chief reasons for cost increase is that this is the off-season for raw materials. So raw materials prices are at the highest in Q2. And second thing is that there were some disease incidences because of which there was mortality and poor growth, which added to the cost. In our business, the problem is that if the chicken dies after eating, it is a total loss. Or if it eats and does not grow to the extent or as per the standard, that is also a loss. So, I think both these things happened in quarter.

Gunit Singh: All right, sir. And going forward, currently, what does the situation look like for the segment?

Balram Yadav: There is improvement. Q3 is always good, so you will see improved numbers in Q3.

Gunit Singh: All right, sir. Thank you very much. That's all for my side.

Moderator: Thank you. The next question is from the line of Abhijit Akella from the Kotak Securities. Please go ahead.

Abhijit Akella: Thank you so much for taking my follow-ups. On the working capital front, it seems as if receivables have increased significantly in the first half by about ₹ 200 crores versus March levels, seen in the cash flow statement. So which business has this happened in? And what's the outlook there? Can we sort of reverse this in the second half?

Balram Yadav: So, this is the season for crop protection business. And every year, the working capital goes up. I must also tell you that October, there is a steep fall. And the way we are working and the kind of control we have, we will have a lowest working capital in terms of number of days. By the time March comes, we should exit about 40, 42 days of working capital, which is at the end of September was about 50 days. So, this is the kind of reduction. Some of it has already happened, but we believe that it is further going to reduce.

Abhijit Akella: So, can we expect a commensurate reduction in debt, sir, in the second half?

Balram Yadav: Absolutely. I think debt equity will come down, by March to less than 0.3.

Abhijit Akella: And what would the weighted average cost of debt be at present?

Management: For H1, the average cost of debt was around 7.36.

Abhijit Akella: Okay, got it. Then just on the animal feed segment, any pickup in the milk market that we are seeing, and therefore, in cattle feed demand for our product?

Balram Yadav: Cattle feed demand is back. I think as the rains recede, things are improving. What we are seeing is a 10% jump in cattle feed volumes in October over September. So, we strongly believe that, the growth will be back in cattle feed in the second half.

Abhijit Akella: And in the oil palm business, you had mentioned last quarter that we do expect to match the previous year's volumes, despite the fact that the first half has been soft because of weather issues.

Balram Yadav: We will grow over the previous year. My sense is that, we are expecting growth. Actually, honestly, a lot depends on the FFB arrival. So as of now, we believe that the season has differed, and we should see a higher inflow of FFB in H2. But obviously, this depends on a lot of factors and we can never be certain about the kind of increase in FFB arrival in H2. Yeah, but whatever past experience we have, whenever we have such a long tail of monsoon, tapering is also very gradual. So, we are hopeful that FFB arrival will continue at decent levels till December.

Abhijit Akella: Okay, got it, sir. And maybe one last thing from me on the Astec side. Do we typically have take or pay clauses in our CDMO contracts, which give us good visibility into the revenues over there? And also, are we typically either the sole supplier or one of two suppliers for the molecules we are making in CDMO?

Arijit Mukherjee: So, the first question, in few of the agreements, we have taken pay clause there. But this generally happens after certain aging of the CDMO. Say after three or four years, once the registration is over, we get a clarity of the annual volume generally, then this clause is put into the agreement. But yes, overall, slowly, we are having take and pay clauses. Typically, CDMOs are not exclusive in nature. Mostly, the buyer has two sources. Currently, almost all the CDMOs will have at least two sources. We will be one of the source, other source might be some other countries.

Abhijit Akella: Okay, got it. And also, just to clarify one thing that was mentioned on the call. The total number of molecules at Astec right now is nine, which basically includes eight older ones and one new molecule. This is in CDMO, I guess.

Balaram Yadav: Yes, CDMO.

Abhijit Akella: Got it. Thank you so much. All the best.

Moderator: Thank you. The next question is from the line of Rikin Shah from The Boring AMC. Please go ahead.

Rikin Shah: Hi, thanks for the follow-up. So, I can see that the inventory positioning has lightened quite a bit from FY23, it was ₹ 295 crores to ₹ 196 crores at the end of FY24 and we're down to ₹ 150 crores. So, in our present inventory situation, how much of the old high-cost inventory is still left or is it out of the system now?

Balram Yadav: This is Astec you're talking about?

Rikin Shah: Yes, Astec.

Arijit Mukherjee: Majority of the high-cost inventories have moved out. So, whatever remaining is there will be Q3, which will be moving out.

Rikin Shah: Finally, Q3 should be the last quarter for high-cost inventories. And so, then after Q3, at what particular scale or sort of volume can we see an EBITDA break-even in the enterprise side?

Arijit Mukherjee: It's very difficult now to say, because the demand position, pricing, everything is changing so rapidly. We are not able to give such in a course of three or four months. But only thing we are seeing a little bit of positivity in the market in terms of demand, but we have to get a feel of it, because until and unless we have that concrete demand coming up, we go into negotiations, it is very difficult to say, right now, what will be the capacity utilization EBITDA breakup.

Rikin Shah: Okay. Got it. Yes, that's it for me.

Moderator: Thank you. The next question is from the line of Sarvan Vohra from Premier Capital. Please go ahead.

Sarvan Vohra: Thanks for the follow-up. My question is again for Astec LifeSciences. So as the CDMO share gains salience this year again, so when as a consolidated entity do we start to see profits again?

Balram Yadav: I have understood the question now. We are trying very hard and with one or two more contracts, if they come our way, which are under negotiation, we are hoping to break even in H2, which means that we will be profitable in Q4.

Sarvan Vohra: Right. Got it, sir. And sir, when you say that, like Mr. Yadav, you mentioned that you are seeing a lot of inquiries on the enterprise side, but the realizations remain low. Any anecdote you can share from the past, where how much time it has taken when you start to see volume recovery and realizations also recover? Any qualitative aspect you can share there?

Balram Yadav: I'll share a story with you that what happened in this. And it was a great learning for us that, when the prices fell two years ago, we used to have a sizable business in one of the East European countries. And we thought that we will not take this order and that order went to China. And in spite of the fact that we are ready to do anything now, at any price, we want that volume, but it is not coming. So, the point is in this, I think, one of the things which we also realized just hold on to tonnages, because that was a sizable tonnage which used to go to any East European country. So, I'm saying that this is a little strange business. We just acquired this company about seven, eight years ago, but this is the first time we were faced with a situation like this. So, I think we have a lot of these kinds of learning. And probably taking that loss would have been better because when the markets go up, like they were going now, I think we could have definitely had at least 15%, 20% capacity utilization more as we held on to those volumes. So, these are a few learnings we have. I think my sense is that next time when it happens, probably it is better to take the hit, but keep the plants running the way Chinese do.

Sarvan Vohra: Right. And like Mr. Mukherjee mentioned that now, earlier we were just doing kind of CDMO products. Now we are doing early-stage development also. It's been more than one and a half years since we had that R&D center in place. So, any qualitative aspect of how much benefits, like in terms of what benefits you see accruing in this business over three, four years?

Balram Yadav: So, I'm saying that there are a few things which I wanted to talk about. One is the plain molecules which we develop and we sell, so that continues. And one of the molecules, Metconazole was the outcome of the R&D center. We did it at a record time. And we also grabbed some volumes which added to reducing the losses. But I must also say that this co-development is a long-term process. And even longer-term process with even the innovators are having some tough time worldwide. So, whatever used to take two years, two years may take three, four years now. So that I think is the story as of now. There are inquiries, there are collaborative efforts, but they're a little sluggish. Some of the very big innovators have banned international travel. So just because they're under tremendous stress. So, I think all this will take a couple of quarters to clear. But definitely, I must tell you that R&D center brought out this molecule. It is working with some innovators already on some co-development. The third thing which we need to talk more about is the kind of benefit it is bringing to our crop protection business by improving margins of the products we make. And that is evident in our P&L. In first half, you must see the crop protection business performance and profitability. And some of it has come from cost reduction initiative undertaken at the R&D center. Plus, I think some of the back-end work also we will start doing for crop protection business particularly in between etc. If we can do some import substitution in time to come. So that will be a very big advantage in improving profitability further in crop protection business.

Sarvan Vohra: Right, sir. Thank you so much, sir. Thank you.

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

Nadir Godrej: Thank you. I hope I 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.

Probal Sen: Thank you, everyone. You can now exit the call. Thank you to members of the management as well as all the attendees.

Moderator: Thank you. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.