
FROM THE DESK OF THE **CHAIRMAN**



Dear Shareholders,

I hope you and your families are safe and healthy.

Financial Year 2020-21 was one of the toughest years due to the COVID-19 pandemic and has led to many challenges for the corporate sector. It forced companies to run differently along with testing the resilience of the business to the unprecedented disruptions. However, your Company swiftly adapted to changing situations and executed operations ensuring limited interruptions.

The COVID-induced lockdown is expected to result in a 7.3% contraction in India's Gross Domestic Product for the Financial Year 2020-21. The agriculture sector was the only silver lining and is expected to grow at 3.6%. Agricultural goods and services were categorised as essential in nature, which makes the sector relatively resilient vis-à-vis others. Further, macro indicators for the sector were also positive with the second consecutive year of normal monsoon, sufficient water reservoir levels, good soil moisture and remunerative crop prices.

For Godrej Agrovet, it was an outstanding year in terms of profitability, as consolidated profit before tax (excluding non-recurring and exceptional items) grew by 59.7% year-on-year. Growth was led by strong performances in our Animal Feed business segment, our subsidiaries - Astec LifeSciences Limited, Godrej Tyson Foods Limited and our joint venture - ACI Godrej Agrovet Private Limited, Bangladesh. The Company was able to achieve stellar profit growth because of the relentless efforts of our employees and

the management team. Our manufacturing plants became operational within a fortnight of the lockdown after obtaining all the necessary approvals and the teams across locations ensured an uninterrupted supply of goods and services. Strong focus was given on cost optimisation and technology was leveraged for seamless execution. However, total income (excluding non-recurring income) declined by 8.5% due to lower volumes and sales in the Animal Feed and Creamline Dairy Products Limited. Lower demand of the dairy and poultry products from the HoReCa (Hotels, restaurants and catering) segment and lower out-of-home consumption impacted volumes and sales in the two businesses.

Segment-wise also, our performance was significantly better than the previous year in most businesses in which we operate. In Animal Feed, segment profits grew by 24.1% as R&D initiatives yielded results and this coupled with favourable raw material prices supported profitability. For Astec LifeSciences Limited, it was another year of robust performance as profit before tax grew by 45.2%. Godrej Tyson Foods Limited performed extremely well and clocked profit before tax of ₹ 22.7 Crore compared to a loss last year. ACI Godrej Agrovet Private Limited also witnessed strong volume and sales momentum resulting in growth in profit before tax of 43.8%. In Crop Protection, our efforts were on increasing collections which grew by 27.0%, though the profitability was similar to that of the previous year. However, in the Oil Palm segment, profits were impacted by a white-fly attack which lowered fruit bunch arrivals as well as oil content.

We continued to enhance our product offering through new product launches and by increasing the distribution reach of our existing products. We launched 'Samruddhi', a cattle feed product in the western markets and it has seen significant volume pick-up within a few months of the launch. We have also introduced new vegetarian and non-vegetarian ready-to-cook processed food products under the 'Yummiez' brand, which serve as an excellent snacking alternative to dining out. In the Dairy segment, we re-branded the product portfolio under

the new 'Godrej Jersey' logo and have also started selling Jersey ghee in parts of Maharashtra. In Crop Protection, we have partnered with other large agrochemical companies to increase the distribution reach of our in-house and in-licensed products.

The construction of new manufacturing facilities has been delayed by a few months due to the lockdown, however, projects are expected to commercialise in the Financial Year 2021-22. The new herbicide plant in Astec LifeSciences Limited will help us diversify into new products and the new R&D lab will enhance our capabilities to undertake new projects. We are also setting up a fish feed plant in Uttar Pradesh to cater to the northern and eastern markets. We continue to invest in other R&D projects which will help us improve our product offering and also contribute to profitability.

For the Financial Year 2021-22, despite the initial disruption caused by the second wave of COVID-19, India is expected to grow at a healthy rate, albeit on a low base. Expectation of revival in consumption and pick-up in the business activity is expected to drive growth. Sector-wise, the agriculture sector is expected to be the key contributor to growth. Initial macro indicators of the sector look promising with good Rabi harvest, a third consecutive year of normal monsoon and remunerative crop prices. This is expected to benefit our Crop Protection and Oil Palm segments. Further, with the opening of the economy, demand from the HoReCa segment is expected to pick-up significantly which will support volumes and sales in the Animal Feed and the Dairy segments.

Before concluding, I would like to thank all the employees for their support and commitment towards the Company. I also express my gratitude to all stakeholders for believing in the Company and supporting us in these difficult times.

Yours sincerely,
Nadir Godrej
Chairman, Godrej Agrovet Limited