

From Chairman's Desk



Dear Shareholders,

I hope this letter finds you and your families well and safe.

The Financial Year (FY) 2021-22 turned out to be extremely eventful across business, economy, science, sports, climate change, travel and most importantly, healthcare. It started with a devastating second wave of Covid-19, countered by rapid and large vaccination drives across the country. The country is estimated to have closed the year with 95% of the adult population inoculated with the first dose and more than 85% with the second dose. On the economic front, the country recorded a sharp recovery in GDP growth rate to an estimated 8.7% in FY2021-22 from contraction in the previous year. India's merchandise exports touched a record high of \$418 billion in FY 2021-22, a 40% growth over the previous year. On the climate front, in the COP26 summit held in Glasgow, India announced five pledges for the first time: net-zero emissions by 2070, non-fossil fuel energy capacity of 500 GW, 50% energy requirements from renewable sources, reducing total projected carbon emissions by 1 billion tonnes and reducing the carbon intensity of the economy to less than 45%; all before 2030. The year ended with rising geopolitical tension in the

Eastern Europe between Russia and Ukraine threatening to derail an economic recovery that the world witnessed in the first 10 months of the year. The commodity prices soared to record levels due to the impending logistics and supply chain disruptions as against growing demand from large consumption driven economies.

For us, this is the time of the year to look back and reflect on what we did well, what we could have done better, and where we go from here. The year started with a rapid spread of the second wave of Covid-19 pandemic leading to another spell of severe operational difficulties for the corporate sector. However, having navigated through a similar set of challenges efficiently and with limited interruptions in the preceding year, your Company was able to swiftly implement hybrid work culture wherever necessary and drive plant operations smoothly across the country. This was possible only because of unwavering commitment and hard work of all our GAVL team members and business partners. For this, I would sincerely like to thank all our folks for their efforts and contribution in serving our customers as well as the community.

Resilience and Growth

We have a pan-India presence and we operate in five business verticals, on our own and through our subsidiaries, joint ventures and associates. This supremely diversified operational base, spread across Animal Feed, Crop Protection, Oil Palm, Dairy, and Poultry and Processed Foods, has made us fairly resilient as a group to external shocks, such as the one we witnessed over the past two years. At the same time, related diversification has equipped us with an ability to recoup rapidly and drive growth in our revenues and profitability at a decent pace. We also derive operational efficiencies and economies of scale by centralizing and sharing certain key functions across our businesses such as finance, legal, information technology, strategy, procurement and human resources.

The FY 2021-22 further reinforced our core strategic approach of running diverse but related businesses and turned out to be the best financial year in terms of top line growth with sustained rise in profitability. Your Company delivered a strong performance clocking the highest ever total income of ₹ 8,385.7 Crore in FY 2021-22, growing at 33.0% year-on-year while consolidated profit before tax and exceptional items grew by 22.4% year-on-year. Robust top line growth was witnessed across our core standalone businesses, as well as, our agrochemical and food subsidiaries; with the exception of domestic crop protection segment. Growth in profitability was largely driven by Animal Feed, Oil Palm and Astec LifeSciences. While our Crop Protection business was hit by uneven monsoon and lack of product application opportunities, our food businesses suffered from unprecedented rise in input costs and non-transmission to end-product prices.

Another solid year of new product launches, market share gains and leveraging R&D benefits

Your Company continued to develop and launch new products across categories and regions, enhancing overall product offerings to cater to growing market demands targeting various consumer segments. In the Animal Feed business, we launched two new products “Doodh Vriddhi” and “Champion” during the year. We also expanded our outreach for “Samruddhi” in the Western region of the country. This helped us to achieve highest ever monthly volumes for a single product in one state and gain leadership. In Central parts of India, we were successful in gaining market share for our cattle feed and layer feed products while our broiler feed offerings in Kerala registered double-digit growth year-on-year. In the Crop Protection segment, we launched two new products – Protraitt (herbicide) and Gracia (insecticide). Gracia has further strengthened our decade-long collaboration with Nissan after introduction of Hanabi in the previous financial year. Our subsidiary, Astec LifeSciences Limited, commissioned two new products under Contract Development and Manufacturing Organisation (CDMO) category during the year. Our Dairy subsidiary, Creamline Dairy Products Limited

(CDPL), also introduced new variants of its Jersey Recharge energy drink, fruit yogurt, as well as, paneer and ghee. Your Company also launched Jersey milk beverages in the Northern states. Moreover, CDPL has registered strong market share gains in Curd, milk drinks and ghee categories in key South Indian markets.

Our continued commitment and investments into building strong R&D capabilities have been a vital differentiating factor in an intensely competitive and largely unorganised Indian agriculture sector. Sustained efforts by research team at Nadir Godrej Centre for Animal Research & Development (NGCARD) since its inception has started realising substantial benefits for our Feed business. The Oil Palm business also witnessed notable improvement in oil extraction ratio to the tune of ~140bps during the year, partly backed by enzyme-led R&D interventions. Our aquaculture focused R&D centre has started conducting trials for enhancing nutrition benefits. Another state-of-the-art R&D facility being developed by Astec LifeSciences is expected to be commercialised by December 2022.

Where we performed better

Our Animal Feed business surged ahead on the back of upbeat volume growth as well as improved realisation. Volume growth was largely driven by new products offerings and regional expansion across categories. Our joint venture, ACI Godrej Agrovet Private Limited Bangladesh, recorded yet another year of strong growth in volumes and income led by market share gains in Bangladesh across segments. Sustained rise in oil prices and record high efficiency ratios resulted in stellar performance by our Oil Palm business with a 2.9x year-on-year growth in segment results. Astec LifeSciences reported the second consecutive year of outstanding growth in both exports as well as domestic markets despite challenges faced in the first-half of the year due to temporary flooding in Mahad region. Our Dairy business was successful in leveraging on the considerable recovery on the demand side in the second-half of the year by registering high double-digit growth in value-added products category. CDPL gained market

share in key categories such as curd, milk based drinks, etc. The salience of Value-added Products (VAP) category has now reached to 29% in FY 2021-22 from 27% in FY 2020-21. In our poultry and processed food business, we were able to achieve healthy growth in volumes and realisations in the live bird and processed chicken sub-categories.

Where we could have performed better

Our performance in domestic Crop Protection business was disappointing, although it was partly attributed to erratic monsoons and extreme weather conditions. Profitability was additionally impacted by higher sales returns and increased provision for doubtful debts while our working capital management lagged our expectations. In Aqua Feed, our margins were under pressure due to rise in input costs – mainly soya and fishmeal – and lack of pricing support. Our Dairy business also suffered from voluntary pricing control by the entire industry when input costs including procurement, logistics and packaging had an exceptional run owing to variety of external factors.

How do we plan to achieve targets under our long-term sustainable growth plan

Having reflected on our performance in a year marked by a challenging business environment, I would now like to elaborate upon future opportunities. Adhering to principles that the Godrej Group has advocated since its inception, we will continue to pursue our goals in a more sustainable and responsible way. There are a few priority areas for us which we would like to focus upon in the coming year.

Firstly, we would continue to build on leadership positions achieved in Animal Feed and Oil Palm businesses which are also critical to India's food and edible oil security. We will continue to grow these businesses responsibly and by focusing on digital transformation across value chain. Having already initiated several projects on automation, geotagging and analytics solutions during the year, we plan to implement these programmes covering the entire business operations. This would involve satellite imagery and drone-based monitoring of all

the oil palm plantations while salesforce, logistics automation and increased consumer engagement through chatbots in the Animal Feed business. The focus in other businesses would be to create a digital transformation roadmap, capabilities and then leveraging the same for sustainable future growth. In Oil Palm, we are well-placed to benefit from the recent policy initiative on area expansion under plantation and enhance the domestic palm oil production.

Secondly, your Company would work towards improving profitability of the food businesses and business hygiene of domestic Crop Protection business to make them more resilient to external shocks. In the Dairy business, we would focus on strengthening our milk procurement network, increasing the salience of value-added products with new quality launches and wider customer outreach initiatives to expand market share. We expect FY 2021-22 to be a good year for our food businesses with strong recovery in the critical HoReCa segment and improvement in realisations.

The agrochemical business is our next focus area wherein we have envisaged a long-term capital spending plan to augment our R&D and CDMO capabilities for robust and multi-dimensional future growth.

Embarking on a future growth with an eye on ESG – continued focus on People and Planet

While we equip our leadership, employees and entire value chain for the next level of growth plans, we also remain committed to contribute in India's climate pledge targets and to serve the society to the best of our abilities. GAVL's sustainability targets are guided by our Group's Good & Green vision of creating a more inclusive and greener world. We have made meaningful progress towards achieving our sustainability objectives by 2025. Currently, 70% of our energy consumption is from clean renewable energy sources as against target of 90% by 2025. We are already a water positive company and conserve 6 times the water than we consume which translates into 6.5 million cubic metre water recovered. Towards achieving Carbon Neutrality, we have sequestered 23,879 MT of CO₂ in FY22 which

accounts for 24% of the annual CO2 emission target of GAVL. Moreover, we have reduced our specific energy consumption by 6% and remain on track to achieve a target of 12% by 2025.

During the year, we also participated in the Carbon Disclosure Project (CDP) under carbon and forests categories, becoming one of the first companies in the agri sector to do so in India. CDP is a global non-profit that runs a prominent environmental disclosure platform. The platform scores companies on their actions on reducing greenhouse gas emissions, and protecting water resources and forests. Over 13,000 companies representing 64% of the global market capitalization disclosed their initiatives through CDP 2021. Our CDP scores of “B” in both Forests and Climate are well ahead of food sector, as well as, Asia and Global averages.

On the people front, we have implemented several farmer livelihood and entitlement enablement initiatives supporting over 1,00,000 farmers in increasing their income. As per third-party SROI (Social Return on Investment) study, every rupee invested by your Company creates more than three times social value for the farmer communities. Our CSR activities during the year, in addition to ongoing vaccine drives, were focused on two major initiatives, namely, Grameen Vikas – brighter

farming and Pragati – community-based education.

For our employees, your Company undertook several measures to maintain high health and hygiene standards at the workplace, starting with vaccination for all its employees, families, contractual workforce, and channel partners. The importance was also given to physical and mental health by providing all-round support, organising expert workshops as well as setting up specific benefit programmes to help families of deceased employees.

Well, I would like to believe that in this letter I have covered all our successes, areas of improvement, key achievements and future aspirations to take the Company on a new growth path. Before I conclude, on behalf of the Board of Directors and the management, I would like to thank our employees, business partners, customers, vendors, shareholders, investors and other stakeholders for their continued trust, efforts and contribution to the Company. Let’s continue our journey together on a sustainable growth path, the Godrej way.

Nadir B Godrej
(Chairman)