

FROM THE DESK OF THE CHAIRMAN

Dear Shareholders,

It is my privilege to present to you Godrej Agrovet Limited's Annual Report for FY 2022-23. I hope this letter finds you and your families well & safe.

Over the past year, the global landscape was marked by the Ukraine war, rising commodity prices, tightening global monetary policy and slower global economic growth. The macro-economic volatility and geo-political factors have dominated the global business environment.

In the midst of this, India's growth continued to be resilient and Indian economy became the fifth largest economy in the world. India's GDP is estimated to have registered a growth of 7.2% in FY 2022-23 and is expected to continue to be the fastest growing large economy for the third consecutive year.

For Godrej Agrovet, volume-led topline growth was one of the critical constants from the previous year as we reported 13% year-on-year growth in consolidated revenues to reach total revenues of ₹ 9,374 Crore in FY 2022-23 from ₹ 8,306 Crore in FY 2021-22. Our branded businesses – Dairy and Processed Foods – achieved important revenue milestones on the back of robust volume growth in value-added product (VAP) portfolios. Nonetheless, some of our businesses also encountered several compelling headwinds during the FY 2022-23. This impacted the profitability of these businesses.

Before we further analyse performance for the year, I would first like to thank all our Shareholders for their immense and continued faith in Godrej Agrovet in these volatile times. At Godrej Agrovet, we really appreciate your contribution and we remain committed to a sustainable & long-term value creation for our valued Shareholders.

Sustained volume growth to enable rapid recovery in the coming year

While the year was full of surprises, we ensured that most of the businesses of your Company maintained focus on market share gains and healthy



volume growth. In the Animal Feed business, overall volume growth was ahead of the industry, supported by robust sales in key categories. Your Company's joint venture, ACI Godrej Agrovet Private Limited Bangladesh, further consolidated market share in Bangladesh across categories. While the adverse external environment constrained the dairy industry's profitability, your Company responded with new product launches and aggressive market share gains in Creamline Dairy's (CDPL) VAP portfolio. Resultant volume growth was higher than the peers in Southern India.

In the Poultry and Processed Food business, several new launches across branded categories coupled with renewed focus on brand-building and channel expansion yielded positive results. Consequently, the branded business of Godrej Tyson (GTFL) had another outstanding year of volume performance.

The Crop Protection segment, with its widespread distribution network, delivered record volumes for the in-house portfolio of "Hitweed" herbicides and the in-licensed insecticide "Gracia". A product of Godrej Agrovet's decade-long collaboration with Nissan, Gracia has been a stellar performer in its category.

Your Company's subsidiary, Astec LifeSciences was severely impacted by sluggish demand and a supply glut in its enterprise products portfolio. However, the management has already identified the problems and has initiated necessary steps to accelerate portfolio diversification, with a focus on Contract Manufacturing.

The Vegetable Oil business maintained a steady volume growth while deepening your Company's partnership with more than 9,000 farmers across multiple Indian states. Sustained volume growth across businesses and categories will provide a much stronger foundation to consistent bottom-line performance in the coming year.

The unfavourable external environment weighed heavily on profitability

The Crop Protection business could not achieve the targeted margin profile, partly due to adverse market conditions. Going through various sectoral challenges such as a high level of channel inventories, adverse climatic conditions and price corrections, Astec LifeSciences reported a sharp drop in profitability. The Feed businesses partially absorbed volatile commodity prices due to government interventions and limited transmission impacted the bottom-line. In the Dairy business as well, only a partial pass through of rising milk procurement costs severely impacted profitability. The entire industry continued to suffer from a weak flush season due to untimely heavy rains in South India and the outbreak of Lumpy skin disease.

In the wake of headwinds, we focused on improving Cash flows

During FY 2022-23, your Company achieved a remarkable improvement in cash flows and working capital profile. Net working capital days reduced to 51 days in FY 2022-23 as compared to 79 days in FY 2021-22. Your Company also generated cash from operations totalling ₹ 967 Crore as compared to ₹ 33 Crore in FY 2021-22. This was achieved through a steadfast focus on credit hygiene and accelerated customer collections, primarily in domestic Crop Protection business.

R&D and other future-ready investments to aid in long-term consistent growth

At Godrej Agrovet, our unwavering commitment to build strong R&D capabilities has been a vital differentiating factor in an intensely competitive and

largely unorganised Indian agriculture sector. In line with this tradition, your Company's subsidiary Astec LifeSciences commissioned a new future-ready R&D center for Chemical Research. Your Company now has strong R&D footprints in Animal Feed (NGCARD), Oil Palm and Crop Protection businesses. These investments will play a crucial role in Godrej Agrovet's target of achieving a sustainable growth in the medium to long-term.

“The launch of the R&D Center in Rabale is a significant milestone for Astec LifeSciences in our quest to tap the immense potential in the chemical industry. A testament to our commitment to offering advanced solutions with a focus on green chemistry and sustainability, I am happy that our R&D capability and world-class infrastructure will add value for our stakeholders, employees and customers.”

– N. B . Godrej

Your Company's Aqua feed division commissioned a new fish feed manufacturing facility in Uttar Pradesh to cater to the rapidly growing Northern and Eastern markets. Vegetable Oils business invested in a refinery and a solvent extraction plant targeting forward integration to enhance margin profile. CDPL also operationalised new packaging equipment which enabled flexibility to serve different customer segments at multiple price points.

Way Forward

Although there have been no significant changes to our strategic focus areas, I would like to reiterate some of our commitments under long-term sustainable growth plan. At Godrej Agrovet, we fully understand that the Food and Agri businesses, not just in India but globally, have been inherently volatile in nature. In order to effectively deal with this intrinsic structure of the industry, we have created a diversified operational portfolio over the years. Furthermore, we also benefit from operational efficiencies and economies of scale by centralizing and sharing certain key functions across our businesses such as finance, legal, information technology, strategy, manufacturing and human resources. Going forward, your Company will focus on increasing the proportion of branded value-added businesses of Creamline Dairy and Godrej Tyson in addition to Contract manufacturing (CDMO) of Astec LifeSciences in the overall revenue

mix. In domestic Crop Protection, the focus would be on diversifying product portfolio to serve both harvesting seasons and further develop a pipeline for in-licensed products. The Vegetable Oil segment would focus on unlocking margin across the value chain through refining, solvent extraction, waste-to-wealth initiatives etc.

The new R&D center will undoubtedly play a central role in our agrochemical strategy. It will provide additional impetus to the rapid growth of CDMO business in the near future, which almost doubled in FY 2022-23 over the previous year.

Digital Transformation – a must to achieve efficiencies

At Godrej Agrovet, we have already embarked on a digital transformation journey to support ambitions of our portfolio businesses. In FY 2022-23, your Company worked extensively on this front for most of the businesses starting with identification of problem statements to creating a future roadmap for achieving desired efficiencies, automation and intelligence. Your Company's Vegetable Oil business is at the forefront of this transformation and has made significant progress in the areas of plantation geo-tagging, satellite-based crop health monitoring and sapling traceability. Your Company plans to implement several such initiatives across sales & marketing, supply chain and manufacturing.

Sustainability – A Godrej way of doing business

At Godrej Agrovet, our commitment to environmental issues and community development has always been meaningful and long-term, with a deep purpose. Your Company's sustainability targets are guided by the Godrej Group's Good & Green vision of creating a more inclusive and greener world. We have made meaningful progress towards achieving our sustainability objectives by 2026. 73% of our energy consumption in FY 2022-23 was from clean, renewable energy sources as against a target of 90% by 2026. Solar roof top or ground mounted systems were installed at more than 20 manufacturing plants. Godrej Agrovet is a 7x water positive company having sequestered around 14 million cubic metre of water during the year. Towards achieving Carbon Neutrality by 2035, we have sequestered ~25,000 MT of CO₂ in FY 2022-23 which accounts for 24% of the annual CO₂

emission target of your Company. We have reduced our specific Greenhouse Gas (GHG) emission by 19%, already ahead of the targeted 15% by 2026.

During the year, your Company successfully completed submission of Greenhouse Gas (GHG) emissions reduction roadmap target in line with Science Based Target's (SBTi) "Well Below 2°C" scenario. In doing so, your Company became one of the first Agri company in India to commit to reduction in Scope 1 & Scope 2 GHG emissions by 37.5% and Scope 3 emissions by 16.0% by 2035. The targets were also validated and approved by the global SBTi committee. Our Carbon Disclosure Project (CDP) scores of "B" in both Forests and Climate for the second straight year remained well ahead of the food sector, as well as, the Asian and Global averages.

On the people front, our livelihood and entitlement enablement initiatives continue to focus on sustainable economic development of vulnerable and low-income sections of the society. Our CSR programmes, namely, "Grameen Vikas – brighter farming" and "Pragati – community-based education" touched the lives of 17,506 households across 10 states and 25,000+ students under various initiatives.

At Godrej Agrovet, we strive to create a safe and dignified working environment. We value diversity within the Godrej Group and are committed to offering equal opportunities.

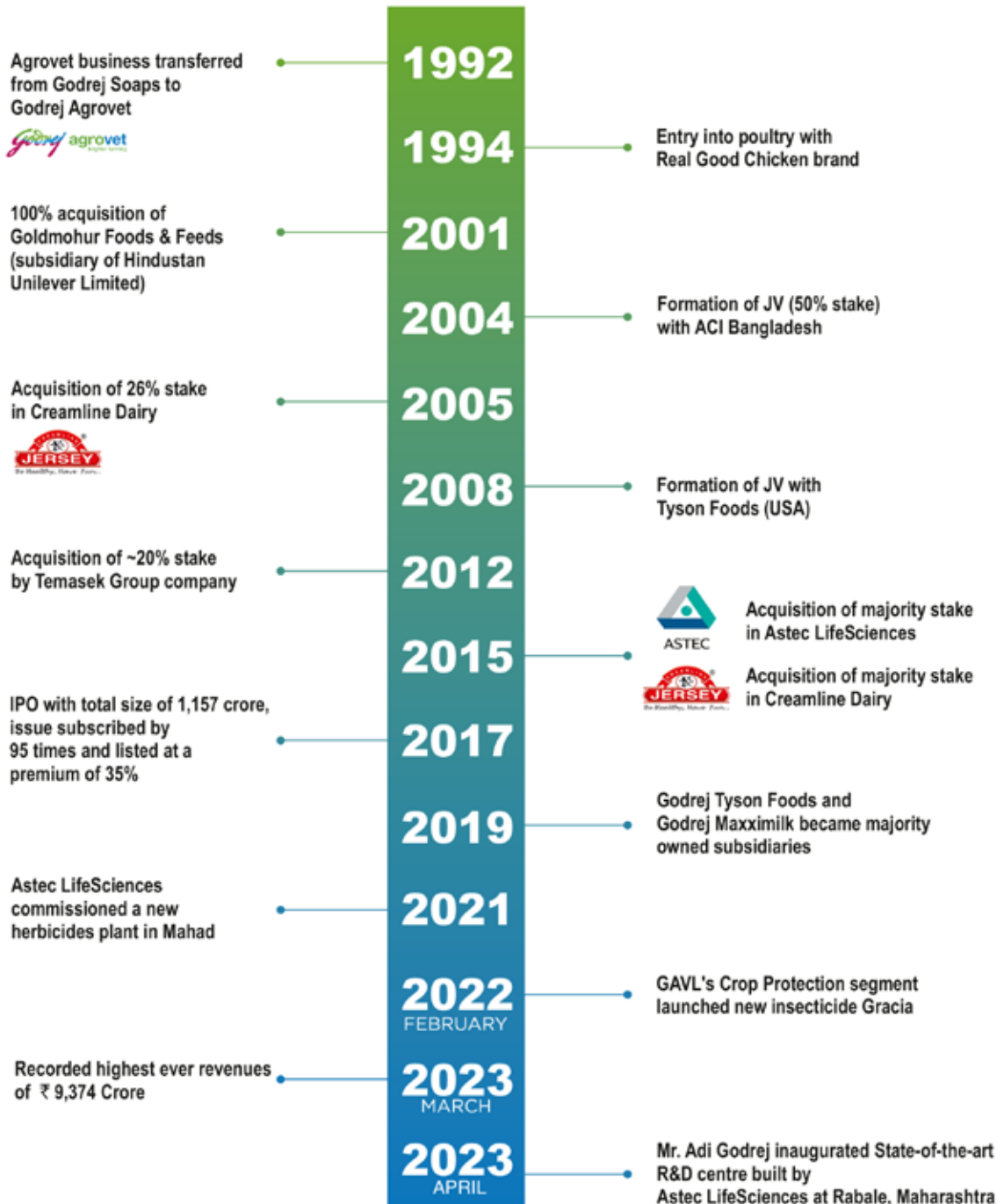
Before I conclude, on behalf of the Board of Directors and the management, I would like to thank our employees, business partners, customers, vendors, investors and other stakeholders for their trust, efforts and contribution to the Company. We sincerely hope for your continued support as we take this Company forward, the Godrej way.

Nadir Godrej
Chairman



30 - YEAR JOURNEY

of our diversified Agri Business



A DIVERSIFIED R&D FOCUSED FEED-TO-FOOD AGRI BUSINESS

1 ANIMAL FEED

- #1 compound feed player in India
- Present across Cattle, Poultry and Aqua Feed
- 50:50 JV with ACI Godrej for Animal Feed in Bangladesh



2 OIL PALM

- Largest producer of Crude Palm Oil in India with ~30% market share
- Potential area for plantation of 2,00,000 Hectares

3 CROP PROTECTION

- Agrochemical products catering to entire crop lifecycle
- Acquired majority equity stake in Astec LifeSciences in 2015



4

DAIRY

- Acquired majority equity stake in Creamline Dairy in 2015
- Products sold under the 'Godrej Jersey' brand



5

POULTRY AND PROCESSED FOOD

- 51:49 JV with Tyson India Holdings Limited for processed chicken and frozen foods
- Products sold under the 'Real Good Chicken' and 'Yummiez' brands

Ghar ka Fast Food

