

# Result Update

Q2 FY24

**Godrej Agrovvet Ltd.**

Institutional  
Research

## Better than expected quarterly performance

Godrej Agrovet Ltd. reported a revenue increase of 5.1% YoY / up 2.4% QoQ to Rs. 2,571 crores and was marginally above market expectations of Rs. 2,506 crores. The company reported annual revenue growth across all business segments, such as Animal Feed (+2%), Vegetable Oil (+11%), Dairy (+8%), Poultry and Processed Food (+4%), Crop Protection (+2%), and Other Businesses (+24%). The Animal Feed business is driven primarily by cattle-feed and aqua-feed categories, which maintained strong volume growth and a further improvement in margin profile. The Dairy and Poultry businesses turned around from losses to profits, and the Vegetable Oil business held earnings steady despite a double-digit price erosion annually. However, the standalone Crop Protection business improved following its restructuring over the past year, offsetting continued weakness in Astec LifeSciences. EBITDA increased 34.0% YoY / up 4.4% QoQ to Rs. 201 crores, while EBITDA margin stood at 7.8% (up 169bps YoY) in Q2FY24, led by an expansion in gross margins by 183bps YoY to 23.7%. The Net Profit stood at Rs. 104 crores (up 49.3% YoY / down 2.9% QoQ) in Q2FY24, above market expectations of Rs. 98 crores. The PAT margin was 4.0% versus 4.3% in the previous quarter.

## Valuation and Outlook

Godrej Agrovet reported another quarter of improved performance, led by a turnaround in underperforming businesses, including Dairy, Poultry and standalone Crop Protection. These businesses are expected to deliver improved results in the coming quarters due to rising scale, improved product mix and cost efficiencies. Further, we expect the Animal Feed business to perform better in FY24 due to sustained momentum in its volume. In regards to its oil palm segment, the volume growth is expected to accelerate in the coming years, driven by land allotment for the development of oil palm cultivation from the state governments of Telangana and northeastern states. The company's crop protection sales growth will continue to ride on the success of products such as Gracia, Hitweed, Hanabi and now Rashinban. Its dairy business has maintained volume growth in value-added products, and poultry is growing well in the branded segment. However, Astec's turnaround should be driven by its fast-growing CDMO business. With the company's performance in H1FY24 looking encouraging thus far, we would look for consistent performance in future quarters to consider a more positive stance.

## Key Highlights

Particulars (Rs. Crs)	Q2FY23	Q1FY24	Q2FY24	YoY (%)	QoQ (%)
Net Sales	2,445	2,510	2,571	5.1%	2.4%
Gross Profit	535	607	610	13.9%	0.4%
Gross Margin (%)	21.9%	24.2%	23.7%	183bps	-48bps
EBITDA	150	193	201	34.0%	4.4%
OPM (%)	6.1%	7.7%	7.8%	169bps	15bps
Net Profit	70	107	104	49.3%	-2.9%
EPS (Rs.)	2.8%	4.3%	4.0%	120bps	-22bps

Source: Company, BP Equities Research

## Sector Outlook

Neutral

## Stock

CMP (Rs.)	481
BSE code	540743
NSE Symbol	GOAGRO
Bloomberg	GOAGRO:IN
Reuters	GODE:BO

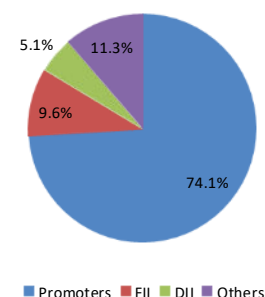
## Key Data

Nifty	19,407
52 Week H/L (Rs.)	558/391
O/s Shares (Mn)	192
Market Cap (Rs. bn)	92
Face Value (Rs.)	10

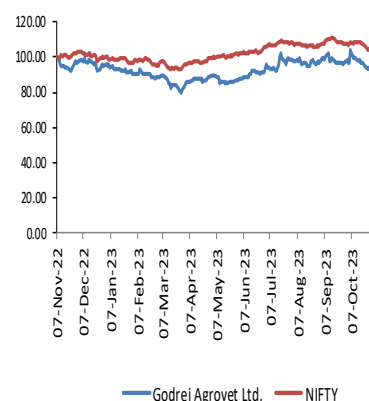
## Average Volume

3 months	183,810
6 months	189,830
1 year	131,500

## Share Holding Pattern (%)



## Relative Price Chart



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## Key Concall Highlights

**Animal Feed Business Outlook:** The segment reported 1.8% YoY growth in revenues, which was primarily driven by cattle feed and aqua feed categories. The company reported a 16% YoY increase in cattle feed volumes as it capitalized on the new plant in Maharashtra. Aqua feed volumes also grew a healthy 15% YoY, driven by higher fish feed sales from the new plant that helped the company to expand its presence in northern states. The next quarter is expected to show better results as volumes improved in Q2FY24. The management expects strong improvement in animal feed margins in FY24, driven by growth in cattle feed and the new fish feed plant.

**Oil Palm Business Outlook:** The segment revenue increased 10.5% YoY as significant growth in volume offset the decline in crude palm oil prices and a marginal decline in the oil extraction ratio. The company expanded its business from merely producing crude palm oil to moving into refined products, which offer higher margins and have a larger customer base. Godrej Agrovet is planting 10,000-12,000 acres this year, compared with 3,500-4,000 acres in FY23 due to more allocations in Telangana and Northeast. The company also expects a significant increase in fruit production in the next 4-5 years due to increased hectares plantations.

**Standalone Crop Protection:** Standalone crop protection business revenue continued to deliver outstanding and consistent performance in Q2FY24, led by in-licensed portfolio and product mix rationalization. The company launched a new product, Rashinban, in collaboration with Nissan and plans to launch six more new products in three years.

**Astec LifeSciences:** The company's Q2FY24 was impacted due to continued price erosion and subdued demand for key enterprise products. Astec continued to face demand-supply imbalance in its enterprise products portfolio in both domestic as well as global markets. The management expects excess inventory to be cleared by the end of Q4FY24 in Latin America and Europe.

**Dairy Business Outlook:** The dairy segment reported an 8.1% YoY revenue increase, driven by strong demand for value-added products. The dairy business benefited from stable milk prices and a new production facility in Maharashtra. The management expects strong operational performance going ahead in FY24 as well.

**Godrej Tyson:** The segment reported remarkable operational and financial performance in Q2FY24 with growth across categories, owing to healthy volume growth in branded business.

**Capex Plan:** Godrej Agrovet has capitalized Rs. 246 crores in capital expenditure for FY24, of which a major chunk was invested in a palm oil refinery and herbicide plant for Astec Lifesciences. The new herbicide plant has the same production capacity as the existing one and is expected to reach full utilization in the next 2-3 years.

*“Godrej Agrovet has delivered a much improved performance in H1FY24, with 28% YoY EBITDA growth.”*



## Key Financials

YE March (Rs. mn)	FY21	FY22	FY23	FY24E	FY25E
Net Sales	6,267	8,306	9,374	10,274	11,345
Growth %	-91.0%	32.5%	12.9%	9.6%	10.4%
EBIDTA	564	669	523	654	806
Growth%	-88.5%	18.6%	-21.8%	25.0%	23.2%
Net Profit	348	419	295	347	445
Growth %	-88.4%	20.4%	-29.6%	17.6%	28.2%
Diluted EPS	16.3	21.0	15.7	18.1	23.1

## Profitability &amp; Valuation

EBIDTA (%)	9.0%	8.1%	5.6%	6.4%	7.1%
NPM (%)	5.6%	5.0%	3.1%	3.4%	3.9%
ROE (%)	15.3%	17.7%	13.1%	12.4%	13.7%
ROCE (%)	15.0%	14.9%	12.1%	14.8%	15.8%
P/E (x)	29.5	22.9	30.6	26.6	20.8
EV/EBITDA (x)	19.0	19.0	19.0	17.3	13.8
Net Debt/EBITDA (x)	1.7	2.3	2.5	2.0	1.6

Source: Company, Bloomberg Estimates

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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