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February 28, 2017

BSE Limited

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The National Stock Exchange of India Ltd.

Exchange Plaza, 4th Floor,
Bandra-Kurla Complex,
Mumbai 400 050

Dear Sirs,

We enclose herewith, for your information, a transcript of Concall with Investors and Analysts which was held on February 15, 2017.

Thank you.

Yours faithfully

for Godrej Industries Ltd.



Nilufer Shekhawat
Company Secretary

encl.: as above





Godrej Industries Limited

Q3 FY17 Earnings Conference Call Transcript February 15, 2017

- Moderator** Ladies and Gentlemen, Good Day and Welcome to the Godrej Industries Limited Earning Conference Call. As a reminder, all participant 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 '*' then '0' on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Anoop Poojari of CDR India. Thank you and over to you, sir.
- Anoop Poojari** Thank you. Good Afternoon everyone and thank you for joining us on Godrej Industries Q3 FY 2017 earnings conference call. We have with us Mr. Adi Godrej – Chairman, Mr. Nadir Godrej – Managing Director, Ms.Tanya Dubash – Executive Director & Chief Brand Officer, Mr. Pirojsha Godrej – Managing Director & CEO of Godrej Properties, Mr. Balram Singh Yadav -- Managing Director of Godrej Agrovet, Mr. Nitin Nabar, Executive Director and President (Chemicals), and Mr. Clement Pinto – CFO.
- We would like to begin the call with brief opening remarks from the management following which we will have the forum open for an interactive question and answer session. Before we start I would like to point out that some statements made in this call may be forward-looking and a disclaimer to this effect has been included in the conference call invite sent out earlier. I would now like to invite Mr. Adi Godrej to make the initial remarks.
- Adi Godrej** Thanks Anoop. Good Afternoon everyone. I welcome you to the Godrej Industries conference call to discuss the operating and financial performance for the third quarter of the fiscal year 2017. I shall take you through some of the key developments and operational highlights of each of our businesses followed by a summary of our financial results.
- I am pleased to share that in the third quarter of fiscal year 2017 Godrej Industries Limited recorded a healthy growth of 34% in consolidated Total Income and a growth of 105% in consolidated Net profit (excluding one-off income of Godrej Agrovet)

I am also pleased to share that in third quarter of fiscal year 2017 the market value of Godrej Industries' investment in GCPL and GPL has increased by Rs.1,701 crore (12%, Y-O-Y) while Godrej Industries market capitalization increased by Rs. 1,744 crore (14%, Y-O-Y). GIL's share price has increased by 38% CAGR since 2001.

Godrej Properties got an excellent response to the launch of its new projects in Noida and Pune despite challenging market conditions. GPL sold more than 600,000 sq.ft. with a booking value in excess of Rs.300 crore in a single day at Godrej Golf Greens, Greater Noida. Total revenue for the third quarter stood at Rs 554 crore, a 91% increase over the corresponding period of the previous year. EBITDA grew by 217% to Rs 157 crore, and net profit increased by 185% to Rs 77 crore. This has largely been possible due to revenue recognition at our flagship project – The Trees – which reached revenue recognition within four quarters of the project launch.

I'm pleased to share that Godrej BKC has received the Leadership in Energy and Environmental Design (LEED) Platinum certification, which is globally recognized as the highest rating for sustainable buildings. With this achievement, Godrej BKC becomes the only building in BKC to be LEED Platinum certified.

A cyclical downturn combined with demonetization and the upcoming implementation of the Real Estate Regulation Act has created short-term uncertainty and pessimism in the sector. However these same factors will lead to consolidation and improved governance in the sector, which in turn will drive improved consumer confidence. The combination of this improved consumer confidence with far improved affordability that is the result of rising incomes, stagnant prices, and reduced interest rates will propel the sector in a very positive direction over the next several years.

Our brand, national presence, demonstrated track record, and capabilities put us in a strong position to disproportionately benefit from any improvement in the environment and will allow us to remain on a high growth trajectory in the years ahead.

Godrej Agrovet's revenues for the quarter grew by 18% through a healthy mix of organic and acquisitive growth resulting in a strong business profit growth (excluding one-off income) of 369% at PBT level.

Animal Feeds business had a steady revenue growth of 8% for 9 months of the fiscal year 2017, despite a challenging environment. GAVL is working on multiple initiatives to improve future business performance across all categories.

Oil Palm business had a steady quarter which helped 9 months of Fiscal year 2017 to close with a revenue growth of 28% as compared to the corresponding period of the previous year. Remunerative prices of FFB for the farmers helped in bringing sizeable area under Oil Palm this year.

Agri-Input business for the quarter grew by 26% and for the nine months period grew by 24% as compared to the corresponding periods of the previous year. This was mainly driven by Plant Growth Promoters, Pesticides and Hitweed.

Astec LifeSciences a subsidiary of GAVL had an excellent quarter by clocking a robust revenue growth at 95% as compared to the third quarter of fiscal year 2016.

GAVL's Joint Venture in Bangladesh- ACI Godrej continues to do well clocking a growth of 14% in the third quarter of fiscal year 2017 as compared to the corresponding period of the previous year. Volume growth was significant with cattle feed growing at 49% and fish feed at 21% over the previous year.

Demonetization impacted Godrej Tyson's third quarter's business sales. Sales for nine months of the Fiscal Year 2017 were steady with a growth of 2% as compared to the corresponding period of the previous year.

Creamline Dairy products business grew by 7% & 9% in the third quarter and in the nine months of the fiscal year 2017 respectively as compared to the corresponding periods of the previous year and this has been mainly driven by value added products. Value added products grew by 37% in the third quarter of the fiscal year 2017 as compared to the corresponding quarter the previous year.

With an agile team, focus on continuously improving our operational efficiency and research and development in agri businesses and good monsoon, I am confident that Godrej Agrovet will continue to do well across verticals and add value in the years to come.

Moving on to performance of Godrej Consumer Products; In the third quarter of the fiscal year 2017 consolidated constant currency net sales increased by 12% (year-on-year), consolidated constant currency EBITDA increased by 17% and consolidated net profit without exceptional items increased by 5%.

The shortage of currency, particularly in the first few weeks of the announcement of demonetisation, had an adverse impact on demand. However, since then, the demand for our products has improved considerably. Our go to market approach has been resilient and dynamic.

GCPL registered positive growth in December and expect to build on this momentum in the coming quarter which is aided by remonetisation.

Our Chemicals business revenues for the third quarter of fiscal year 2017 increased by 34% to Rs. 369 crore as compared to the corresponding quarter of the previous year. PBIT for the quarter increased by 83% to Rs. 23 crore as compared to the corresponding quarter of the previous year.

Let me now briefly run through our financial highlights. During the quarter, consolidated Total Income stood at Rs.2,257 crore and consolidated net profit excluding one off of Godrej Agrovvet stood at Rs.76 crore a growth of 105% over the corresponding period of the previous year. For nine months of this fiscal, Total Income stood at Rs.6,654 crore and consolidated net profit excluding one off of Godrej Agrovvet stood at Rs.197 crore, a growth of 35% over the corresponding period of the previous year.

Going forward we expect, remonetisation should result in growth normalising in India over the next few months. In Fiscal Year 2018, implementation of the GST will provide strong momentum for a much better economic environment and stronger consumer demand.

To conclude, we remain encouraged and confident of achieving our long term objectives of inclusive, sustainable and profitable growth. I am confident that our disciplined strategy, prudent approach, focus on agile execution and our committed team will enable us to improve performance further and create greater shareholder value.

Moderator: Thank you. Ladies and gentlemen, we will now begin the Question-and-Answer Session. First question is from the line of Farzan Madon from Axis Capital. Please go ahead.

Farzan Madon: My question is for Godrej Properties, would you be looking at any other geographies or how do you decide on which project to take next?

Pirojsha Godrej: We feel that we are already in all the major real estate markets in the country. So in terms of totally new cities, we are not looking at that. The only exception would be something like a Noida while obviously being its own city is also part of the larger NCR market. So we are extremely keen to make sure that across the four real estate markets in the country which are Mumbai, NCR, Bangalore and Pune, that we have a very deep presence which includes the presence in all of the leading micro markets. So certainly, we see a tremendous amount of room for expansion in each of these cities including entering places like Thane Noida, Panvel and different parts of the city. But we are not looking to any entirely new cities at the moment.

Farzan Madon: How many new phases that Godrej Properties can launch in terms of square feet?

Pirojsha Godrej: We have three phases to the residential component of the Trees, of which as you know, two have been launched, one has not been launched yet. The third phase has about 350,000 sq.ft. of saleable area and of the first two phases we have about 100,000-odd sq.ft. left to sell. So all in all we have about little under half a million sq.ft. of area left to sell at the Trees of residential space.

Moderator: Thank you. The next question is from the line of Abhijeet Akela from India Infoline. Please go ahead.

Abhijeet Akela: Just had a few queries on the Agrovet business if I may. Starting with Animal Feeds, there has been steady growth but could you give us some sense of how the three major categories of Cattle, Poultry and Fish Feed within Animal Feeds have performed YTD?

Balram Singh Yadav: If you take nine months, we have marginal growth in Poultry Feed, but we have very good growth in Aqua Feed which saw double digits increase in volumes and in Cattle Feed also we have a double-digit growth.

Abhijeet Akela: Second, the Agri Inputs business, we have seen very strong growth in both your own Agri Inputs as well as in Astec Life Sciences both for this quarter and nine months? This seems significantly ahead of what the industry is. So what exactly has helped this outperformance? A related question is the margins on the business seem to have come off sharply versus 2Q, so what is driving that?

Balram Singh Yadav: If you see we have a very good track record, even in drought years also we have maintained upwards of 15% growth in top line and bottom line and this happened to be a dream year for us where monsoon was very good, it was timely, the sowing was at one of the highest levels in the past several years. So that was all to our advantage. As I have been saying for last five years, we have built lot of agility because of the kind of risks and uncertainties we have in this business, and that agility helps us in expanding margins as well as getting higher sales whenever the going is very good like the current year. So we hope that in case the monsoon continues to be good in the years to come, this growth will only become better and better.

Abhijeet Akela: Just one related question on that point, other companies have been talking about very challenging conditions in August and September particularly in South India with rainfall having been very poor and reservoir levels being low and the expectation is our Agrochemicals industry growth was maybe just mid single digit in FY'17 to-date. So your commentary seems relatively very bullish compared to what they are saying. So...?

Balram Singh Yadav: I must also say that we have the advantage or disadvantage of being very skewed towards this kharif season. If you see traditionally we have done 70% of the business in the first six months, that means that we do only 30% in rabi and South India is at the cusp of rabi and kharif where we do not have very significant business. But with new molecules coming in, probably salience will change and our exposure to the northeast monsoon will also be very critical.

Abhijeet Akela: The margins actually dropped QoQ sir. What was the reason for that?

Balram Singh Yadav: As I told you that most of our best products and high margin products were sold in Q2 particularly. So it is a mix issue, nothing else.

Abhijeet Akela: Then on CreamLine while it has improved but again the margins have come off QoQ. What is the value-added products as a percentage of sales stand currently?

Balram Singh Yadav: Value added products are registering very good growth if you would have heard Mr. Godrej called that number out. Over last year, from 23% of total sales now value added is close to 28% of total sales. This is about quarter-to-quarter performance. It is also a seasonal business. Q1, Q2, and Q4 are good quarters because of lot of sales of value added products like butter and curd happen in that period and sales of these products are little subdued in the October-November quarter because of the season. So we believe that this will pick up in this quarter. The other thing I must point out about milk business throughout the country is that there is a lag in pass-through of increase in procurement prices to retail prices because it is not only in our hands, the cooperatives also have to react to it and cooperatives normally take a few weeks to pass that price increase. So that is why sometimes you will have some kind of dislocation of margin between quarters.

Abhijeet Akela: Then on the Oil Palm business, I think last year we were at 63,000 hectares. Can we expect to end this year with about 4,000-5,000 hectares more?

Balram Singh Yadav: I cannot comment on that because normally we do our census in the last quarter because in certain areas like we are very scared because of the failure of monsoon in Tamil Nadu, because if something like this is happening then there is some amount of uprooting that will happen in parts of Tamil Nadu and parts of Andhra Pradesh. But I strongly feel that come what may, we will have a net gain of about 4,000 hectares. But exact number will only be known sometime in April.

Abhijeet Akela: The balance sheet position for Agrovet, if you could just give us in terms of the net debt? Also, any details on the Polchem divestiture that has happened, what exactly was this?

Balram Singh Yadav: Our net debt is about little below Rs.600 crore now. Polchem, we had 26% investment and standalone we made a profit of about Rs.29 crore and at consolidation we made a profit of Rs.23 crore. This is a company which is largely into feed additives, it is a Indian company which was run by promoters and they have a very good distribution and their products have been very good even though they compete with lot of products which are made by multinationals and almost 74% the company has been acquired by a French company called Ceva which is the fifth largest animal vaccine company in the world. So I think we were very happy to exit at the kind of valuation we got.

Moderator: Thank you. The next question is from the line of Manish Gandhi, individual investor. Please go ahead.

Manish Gandhi: Pirojsha, I have two questions for you; the first one is whenever we interacted in past about the affordable housing, you always said that it is not economically viable. So after this budget, do you feel that it is becoming economically viable for us to enter into this space?

Pirojsha Godrej: Affordable housing first of all does not really have a proper definition and certainly what the government has targeted in the budget which is unit sizes below a certain level is very much doable. We have several projects that already have apartments to fit into that. So we certainly welcome the measures introduced by the government. I think we had earlier spent a lot of time, analyzing whether we would be able to kind of come up with a disruptive product, let us say Rs 10-15 lakhs per apartment and whether we thought we could scalably deliver such product and the conclusion we come to was that it would be very difficult in the current regulatory environment though of course the demand would be very strong. I do not think that position has necessarily changed. But I do think the government is providing lot of impetus to creating smaller houses and we will certainly see an opportunity to do that in many of our projects.

Manish Gandhi: Because already we have many tie ups like in Devanahalli or in Panvel or in outskirts of Pune or Noida where we can have these kinds of projects and might be the selling price of Rs.30 lakhs around for 800 sq.ft. or 600 carpet whatever you take?

Pirojsha Godrej: Absolutely, if you look at our recent project that we have launched in the third quarter in Pune, several of the two bed room apartments in that project would qualify under the new guidelines issues by the government. So we already have projects that would fit within those affiliation and certainly given the incentives the government is providing we will make sure that all our planning incorporate these kinds of sizes were possible.

- Manish Gandhi:** Second one, Pirojsha, when in 2011 or '12, we had done our MoU with Godrej & Boyce for the whole Vikhroli land, at that time we were selling platinum for Rs.12,000-13,000 whatever, after that in next four years, what we have demonstrated like Godrej One even launching Phase-1 and 2 of Trees and having infrastructure like the boiler room or the art, whatever you are doing. So it is unbelievable like in last four years, where the real estate market in Mumbai and in India is so bad and we have demonstrated that we can take the price from 13,000 to 21,000, with a very good volume, 90% we sold. So is there a case for us in future we can go to Godrej & Boyce and ask for a better percentage, what I feel it is fair enough for us and what you guys have demonstrated which is a commendable job.
- Pirojsha Godrej:** Thanks Manish. We feel that the development management fee structure is also very favorable for the company, I think without investment we will be able to get a lot of return and I think an important thing will be to make sure we develop Vikhroli to higher standards and I think whether a large amount of return available to the project for both GPL and G&B.
- Manish Gandhi:** We have not launched any project recently in the DM model, but do we still feel that we will have to spend 2% out of 10% for the marketing and everything or is it more or less?
- Pirojsha Godrej:** Yes, 2% is broadly still what we look at. Clearly, keeping in mind that on this project, overheads and other things are much less, but I would say marketing cost over the years has gone up a little bit but I do not think 2% is inadequate even today.
- Manish Gandhi:** But in future maybe the next JV can we have a clause where we can ask for something better? I think it is fair enough for what you guys have demonstrated in Mumbai it is worth to ask Godrej & Boyce that we deserve more
- Pirojsha Godrej:** Thanks, Manish, we will keep this in mind.
- Moderator:** Thank you. The next question is from the line of Anirudhha Joshi from ICICI Securities. Please go ahead.
- Anirudhha Joshi:** Was there any impact of demonetization on Agri business especially Animal Feeds because post-demon the agri or the rural economy was more impacted than the urban economy? Are we able to take any price hikes in the Animal Feeds business for past two to three quarters?
- Balram Singh Yadav:** Demonetization for a week or 10-days definitely hurt our milk and the chicken business because lot of transactions there happen on cash because milk is bought in very small quantities and chicken is bought by traders and the payment was made in cash earlier. But I think in 10-days time people

adjusted to new payment methods. In rest of our business, there was a small impact but one thing I would definitely say that for some time our outstanding had risen and I see now we are coming back to the normal standards we have, but yes, we have to support our distributors with little more credit in November, December and January.

Anirudhha Joshi: On the Nature's Basket business, what is the loss in first nine months in this year and now what is the strategy because we have closed down some of the stores, so what is the current store number right now and where do you see the business moving up to in next two to three years?

Tanya Dubash: So we have got a new management in the beginning of this year, we also got Bain to help us with the strategy and we are working strongly on that, we have identified new value proposition, we have got a good new senior management team and we are in the process of consolidating our business as you might know. So, that is what we are currently doing right now. We will be in a better position towards the end of the year to outline the strategy more clearly.

Anirudhha Joshi: Astec has reported excellent set of number in this quarter, obviously lower base also helped. But what is the plan with the Astec business, we have around 52-53% stake, do we plan to raise the stake and whether the business will get merged in Godrej Agrovet or whether Astec will continue to be a contract manufacturer for Godrej Agrovet's Agri Input division or it will continue with the current business model?

Balram Singh Yadav: On all your questions, only one I can answer with certainty that our stake now is about 54.5%, rest of the things I think it is too early to talk about, I think we will take it as it comes. Yes, contract manufacturing is doing very well and they will do that for Godrej Agrovet also because we want to have a significant play in fungicides and they are specialist in fungicides, so that synergy is working very well.

Moderator: Thank you. The next question is from the line of Manoj Dua, an individual investor. Please go ahead.

Manoj Dua: Sir, I am from Noida and I know the kind of market that Noida NCR has and selling Rs.300 crore of the project in single day and selling 300 apartments post-demonetization I think it is great, so congratulations from the investors. Now, the question is last two-three years as per the management commentary that the kind of JV and JD we have done, they are quite good in terms of ROE and PAT margins. So the revenue recognition sometimes as investor miss out by one or two quarters or something like that, but if we remove The Trees and BKC, the kind of PAT margin we are expecting as of now which are growing is not quite as per our expectations or something we are missing. I am not asking for a guidance or something but in future with

the project we have done and which we are constructing now going on, can we expect some Rs.45-50 crore per quarter revenue recognition apart from The Trees and the BKC?

Pirojsha Godrej: On the question, we would not like to give any forward-looking guidance. It does actually amount to guidance to provide margins and expected run rate. We must understand that in real estate there will be a lot of volatility depending on which projects are entering revenue recognition or which projects are getting launched, how much of the older projects with relatively lower margins are going through the system etc. So we would not like to provide any specific commentary on profit expectation. That said, certainly we think the combination of increasing contribution from The Trees and other Vikhroli projects along with our model having shifted to profit sharing and development management key project, will over time lead to margin improvement and I think particularly as a sector starts picking up, as we think it will over the next year or two we do expect to see in terms of growth.

Manoj Dua: My question was if you take our current quarter and we expect at least minimum 20% PAT margin, it is a very high ROE project. If we remove the sector that is in the margin when I am looking for the company the brand which Godrej has and is selling and we always have last two-three years insisted on doing projects which have high ROE, we are leaving the whole project back. So this was on what the question was framed upon.

Pirojsha Godrej: I understand, but obviously the results are a blend of both old projects, new projects, Trees and other things, there are also cost escalations and other things that get factored in at a quarterly level. I think Godrej Properties Investor Presentation would indicate the revenue breakdown by a project. But I do not think we would like to get into commenting on the margin profile of various projects.

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

Mohan Lal: My question is to Balram sir. Sir, I was not able to understand this loss of momentum in growth in revenues of Animal Feeds and Oil Palm business in this quarter. We have seen a very good double digit growth in Animal Feeds...I know some of this you would have covered up, but if you can please repeat that, what would be the drivers of that in this quarter?

Balram Singh Yadav: We are little challenged as far as the Poultry Feed is concerned because the industry is changing its structure, it is becoming more integrated instead of what it was a very I would say farmer-driven industry at one time, now it is integrated-driven industry. The business model is changing from B2C to B2B. So that is the only difference. I think we are trying to change the way we do

business because we were a retail company, we work through distributors and now we have to change to B2B business. Now, having said that, it is not that easy because everybody knows that poultry is risky, it is seasonal and cyclical and in B2B business unlike our culture and the way we do business which is on cash, we have to give credit. So we are careful there and that is what we are trying to work around if we can bring in financial structure to work with these big integrators and that is taking a little time. However, there is small uptick in the past few months in our poultry feed performance also. I am very sure that we will continue to perform well in Aqua Feed and Cattle Feed because we have a very good position there and the market is also very good and we will continue to grow. All businesses go through these challenges and I think we will figure out very quickly to overcome this challenge in poultry feed also.

- Adi Godrej:** One general remark in Godrej Agrovet, it is difficult to compare one quarter with another because of seasonality, demand, percentage overheads, etc., So it is best to compare with the same quarter of the previous year.
- Mohan Lal:** I understand that, I was just looking at the growth momentum which was very heartening till first half, so the question was regarding that only. Just a follow up on this if the business in poultry goes from B2C to B2B, do we lose the advantage of a brand in that space and what is the implications of that to our overall margins in the Animal Feeds?
- Balram Singh Yadav:** I would say that industry is still in a state of flux. So a lot of people try making their own feed, and that is one of the reasons we lost some tonnages but we also realized that there is some value to specialization also. So lot of businesses are coming back to us once people realize that they cannot do everything. I would say that the brand will become even more important in future because the small operators would find it very difficult to maintain B2B sales which has to be consistent, which has to be price-competitive all the year round. So I think the game will change in favor of us in time to come. We also believe the kind of R&D initiatives we have taken will help us achieve whatever I have outlined including cost competitiveness, consistent performance, etc., we will be able to give a value proposition to the integrators also which will be sustainable.
- Nadir Godrej:** Technological breakthroughs will be is easier to deploy B2B businesses. So once we get going in B2B businesses, the future will be good.
- Mohan Lal:** A similar query was on Palm Oil business as well. What happened in this quarter? I thought the demand was quite strong. Was it a supply side issue in this quarter only?
- Balram Singh Yadav:** This is the seasonal business; first six months we do 75% of the volumes.

- Nadir Godrej:** And we started off with no stock.
- Mohan Lal:** We have seen a very strong margin improvement in our Agri business in nine months. How should we build this into going next two to three years?
- Balram Singh Yadav:** Both margins and growth are sustainable.
- Mohan Lal:** In this year actually, if you look at the cotton acreages, they were down 11% and all the major players who are linked to the cotton crop had seen quite a severe impact of that but we have actually outperformed. So what has worked for us because I thought we are heavy on the cotton side through Hitweed?
- Balram Singh Yadav:** It used to be heavy but we have made a shift towards fruits and vegetables through fungicides and into tea also. So that helped us a lot. We also introduced some products in grapes. Grapes had a good year. So we benefited from that. Now you know that we have got registration for rice herbicide also. So I think the portfolio is becoming more and more diversified as far as crops are concerned.
- Mohan Lal:** Just a clarification; Rs.132 crore of gains last year under IND AS, this is post tax or pre-tax sir?
- Clement Pinto:** This is pre-tax.
- Moderator:** Thank you. The next question is from the line of Rahul Maheswari from IDBI Mutual fund. Please go ahead.
- Rahul Maheswari:** In line Creamline Dairy Products Limited as we are expecting the milk procurement prices has been increasing across the industry and for the peers also, so what is your take going forward and can you give more color on the value-added products, what is your strategy, you are scouting for any inorganic player or more whether there would be a different listing for Creamline Dairy?
- Balram Singh Yadav:** Answer to question #1, I already said that this is a 100% pass-through of the cost increase but with the time lag, say three to five weeks and they have done that and certain cooperatives which have not increased prices for quite some time, steep prices in a big way particularly cooperatives in Karnataka and Kerala. So I think the margins on that count will be protected but with the time lag and time lag can be three weeks, it can be five weeks also. Strategy for value added, definitely new products are being launched, the season had started because ice cream, butter milk, curd, the season starts when the temperature starts rising. We are also going in for branding in a big way. We have a marketing group. So we will use all our skills and capabilities to build big brand in milk and that has already started and you

will start seeing us more and more in southern part of India. On the acquisitions, we acquired assets of a small milk company near Tirunelveli. We have no presence in Southern Tamil Nadu. Through this we will also cater to Southern Kerala and this company does a volume of about 100,000 liters a day.

Rahul Maheswari: Any more regional kind of such assets acquisition you may go forward so as to increase your pie in terms of the processing capacity and all those things?

Balram Singh Yadav: I think we have enough on our plate right now, we will consolidate our position. We are also undertaking lot of modernization of our existing plant. So we believe that we will be engaged in this for at least next one year.

Nadir Godrej: Within South India, we will be gradually filling gaps in areas which are not very active.

Rahul Maheswari: In value added products, it is commendable that every quarter the percentage is increasing. But among the value-added products, which is the product which you expect would be leading more in terms of growth and margins for you?

Balram Singh Yadav: Today, most of our value-added products is curd, butter milk and ice cream. But we believe that with our new product launches into yoghurt, flavored milk, etc., that segment on a lower base will grow much faster in time to come.

Rahul Maheswari: Any plans on cheese to be launched because you have a distribution network and brand plus so that is why?

Balram Singh Yadav: Cottage cheese, yes. Cheese we are still contemplating, I think cheese is a different technology, currently Creamline does not have that, but it is a category which is growing very rapidly, so we have to be there eventually.

Rahul Maheswari: Going forward, what kind of growth rate do you expect on an industry level for value added products?

Balram Singh Yadav: Value added products will grow at about 20% and liquid milk will grow at about 6-7%.

Rahul Maheswari: What can be the margins which can go into the value-added products which we can have?

Balram Singh Yadav: Normally, if you read the industry reports, the contribution margin in milk is between 7-8%, and value added products is between 20-22%.

- Moderator:** Thank you. The next question is from the line of Manish Jain from Sage One Investment Advisors. Please go ahead.
- Manish Jain:** Pirojsha, I just wanted to know what per cent of your customers are coming in from your overseas markets like where you started an office in Dubai and later on in Singapore?
- Pirojsha Godrej:** There is a little bit from project-to-project and from year-to-year but it is usually in the range of 15% to 25%. So I think it is a very meaningful contributor to our sales. Rs.5,000 crore sales last year included of course BKC deals of Rs.3500 crore, excluding that almost Rs.1,000 crore actually is outside India.
- Manish Jain:** Related to that, Pirojsha, was a good number of our friends would prefer a developer who offers rental services, something I thought we were offering at Ahmedabad, are you comfortable rolling it out on your other projects as well?
- Pirojsha Godrej:** As you rightly pointed out, we have done it in Ahmedabad and we are certainly open to look at it from a project-to-project basis. I think it would depend on how required those services were by our customers and the scale of the project was, whether it makes sense for us to start that, but it certainly is something that we are open to and I have already done, but it might be worth exploring even pan India strategy around it.
- Moderator:** Thank you. The next question is from the line of Manish Gandhi, individual investor. Please go ahead.
- Manish Gandhi:** I have a question for Mr. Balram. In past, we have tried to enter in drip irrigation I think three-four years back and we had a hard look at it and as you mentioned rightly that the payment conditions and terms were not favorable and the government policy was not right. Do you feel because of the government having a lot of focus on drip irrigation, is it worth a case to look at it again?
- Balram Singh Yadav:** Manish, frankly, I have not revisited that, just because we are into too many things already. But since you have mentioned, by next meeting I will definitely have some point of view on that.
- Moderator:** Thank you. As there are no further questions from the participants, I would now like to hand over the floor to the management for their closing comments. Over to you, sir.
- Adi Godrej:** Thank you. I hope we have been able to answer your questions satisfactorily. If you have any further questions or would like to know more

about the company, we would be happy to be of assistance. Thank you once again for taking the time to join on this call.

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of Godrej Industries Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

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