

For Your Better Tomorrow



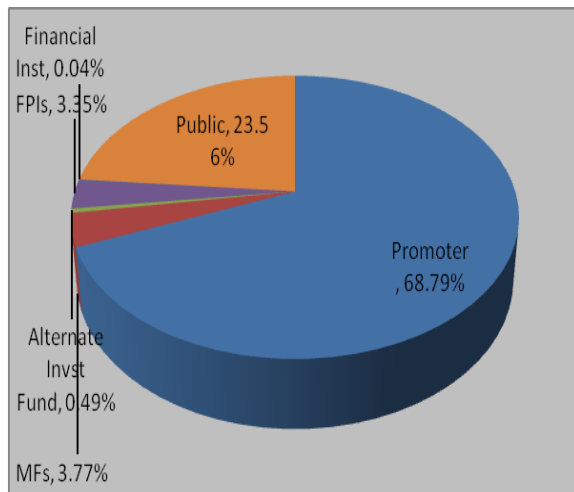
Godrej Agrovet

"The individual investor should act consistently as an investor and not as a speculator." - Ben Graham.

Date – 20th March, 2018

BSE Code :	540743
NSE Code :	GODREJAGRO
Rating :	Accumulate on Decline
CMP	633
Target Price	750
Face Value	10
Market Cap	12158 cr
Equity Shares	19.20 cr
52 Week H	687 (06/03/2018)
52 Week L	524 (16/11/2017)
PER (TTM)	47.8

Shareholding Pattern



Other Prominent Shareholders

V-Science Invst PTE	12.87%
Balram Singh Yadav	2.22%

Management and Team

Management

Nadir B Godrej	Director
Jamshyd Naval Godrej	Director
Adi Burjoriji Godrej	Director
Nisaba Godrej	Director

Team

Balram S. Yadav	Managing Director
S Vardaraj	Head - Finance, System & Legal
Praful Bhat	HR
Mangesh Wange	Head - Animal Feed Business
Pitambar Narkhede	Head - R&D and Nutrition, Animal Feed
Sanjivani Sadani	Head - Organization and Capability Development
Vinay Mishra	Head - Central Buying Organization
Rakesh Dogra	Head - Agri Input Business
Puneet Pokhriyal	Head - Dairy Business
Dharmender Kumar	CEO - Godrej Seeds and Genetic Ltd
Arbind Das	COO- Godrej Tyson Foods Ltd

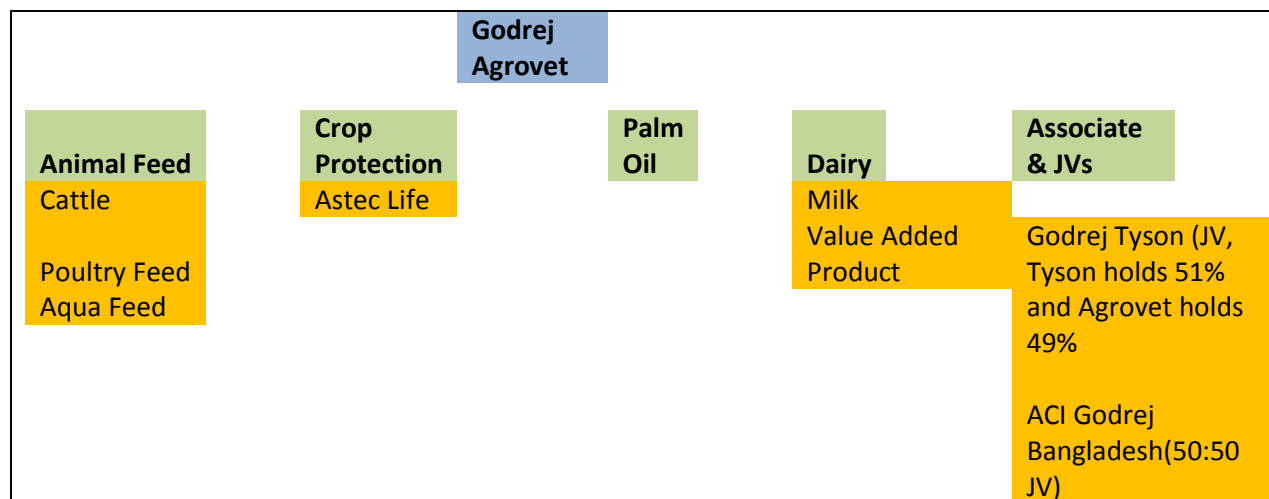
Company Profile

The company belongs to one of the highly diversified Indian Conglomerate the Godrej Group. Godrej Agrovet Limited is a diversified, Research & Development focused agri-business company.

It operates - Animal Feed, Crop Protection, Oil Palm, Dairy and Poultry and Processed Foods.

Godrej Agrovet launched its IPO on 4th October 2017 and closed on 6th October 2017. Its IPO size was 1157 Crore and got listed on **16th October 2017**.

Business Structure



Revenue Mix(2017)

Animal Feed	53%
Dairy	23%
Crop Protection	13%
Oil Palm	11%

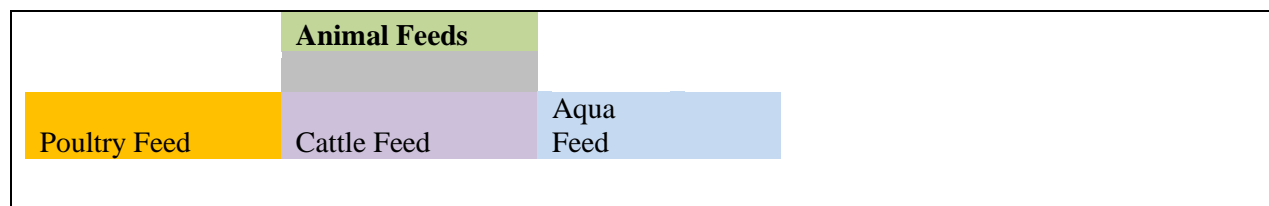
PBIT Mix

Animal Feeds	36%
Crop Protection	33%
Oil Palm	23%
Dairy	8%

Revenue Mix Expectation (2020)

Animal Feed	45%
Dairy	23%
Crop Protection	17%
Oil Palm	15%

Animal Feed Business



Feed Segment	Industry Size: Volume Tn (FY17)	Industry Size: Value Rs cr (FY17)	Industry is growing at CAGR of 14% annually.
Poultry	16-17	50000	
Cattle	7.5-8.5	15000	
Aqua	1.5-2	8600	
Total	25-27.5	73600	

Animal Feed Industry is Rs 73000 cr and is growing at CAGR of 13-14%. Poultry Feed constitutes 68%, Cattle Feed 20% and Aqua Feeds 12% by value.

Poultry Feed

Poultry can be broadly divided into Broiler and Layers. Broiler is Chicken for meat and Layer is egg laying chickens.

Broiler Segment has 85% market share amid Poultry Feed and Layer segment share is 15%.

Venkys India is the leading player in Broiler Segment.

Layer Segment is largely un-organized. Godrej Agrovet can use this as an opportunity, where they don't have big competition.

Godrej Agrovet is small player in Poultry Feed segments.

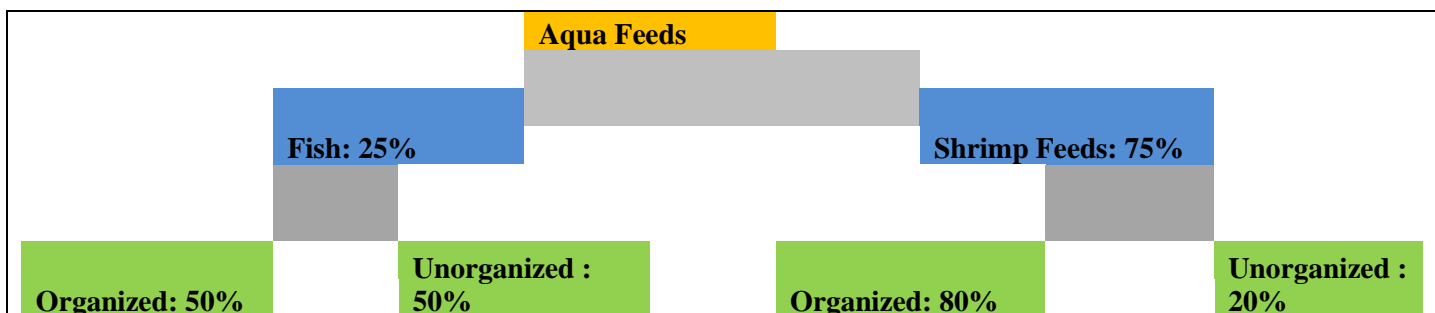
Cattle Feed

Unorganized Cattle Feeds contributes 88% and Organized segment contributes 12%. The share of organized players has increased from 7% in FY13 to 12% in FY17. In organized segment 70% is from Co-operative segment and 30% from private players.

Godrej Agrovet (GAVL) is the largest organized private player in this segment.

We expect 8-10% CAGR growth in next 3 years.

Aqua Feed



Fish feed industry is at Rs 21000 to Rs 2200 in sales value for FY17 with expected growth of 8-9% CAGR over FY17-20E. While Shrimp feed industry is seeing healthy growth driven by an increase in shrimp cultivation, in terms of sales value, the industry is estimated at Rs 6400 to Rs 6500, with a CAGR of 23% for FY13-17 aided by improved realizations.

Crop Protection

Crop Protection Consumption Mix						Industry Consumption mix seen declining in Insecticides. While Fungicides mix is seen increasing.
	2013	2014	2015	2016	2017	
Insecticides	58%	55%	56%	54%	54%	
Fungicides	17%	18%	19%	21%	21%	
Herbicides	22%	22%	22%	20%	20%	
Others	4%	5%	5%	5%	5%	

GAVL's crop protection business offers a wide range of agro-chemical products which address a variety of crops and needs across the lifecycle of the crop.

Major brands of the company include Double, Vipul, Combine and Hitweed. It has also introduced 6 new products in past 3 years. GAVL recently introduced Oryzostar brand herbicide for paddy.

GAVL acquired Astec Life Sciences in FY16.

Astec engages in contract manufacturing with a focus on the triazole group of fungicides. Astec sells its products in the domestic market as well as exports them to 24 countries.

Distribution Network

GAVL has currently 6,000 distributors pan India with 24,000 direct touch points whereas in agro- chemical business 1,00, 000 touch points are needed to cover pan India. GAVL has long way to go and there is growth opportunity for GAVL.

We expect 15-16% CAGR in next 3-4 years.

Plam Oil

Palm Oil Plantation Industry

As of FY17, India has area expansion of 305,624 hectares across 14 states out of 18 potential identified states. This is the highest irrigated area of oil palm globally involving small and marginal farmers.

The palm trees start giving fruits 3rd year onwards and the tree is fully grown after 8 years. Maximum fruits grow after 8 years of plantation and no fruit is available for initial 3 years. To encourage farmers, considering the long gestation period, state governments provide many subsidies. The life of a palm tree is 25 years

GAVL Plantation Maturity Profile

GAVL Palm Oil Maturity Profile			GAVL 70% of the plantations are in Fruit bearing stage. This gives an advantage to the company. As in Palm Oil Business gestation periods are high.
	Hectares	% of Cultivation	
Upto 3 Years	20005	32%	
3-8 Years	21349	35%	
8+ Years	20346	33%	
Total	61700	100%	

GAVL Palm Oil

Godrej Agrovet is the largest crude palm oil producer in India, with a market share of 35%. Ruchi Soya occupies the 2nd position with a market share of approximately 30%. Nava Bharat Agro Products and 3F occupy the 3rd and 4th position, with a market share of approximately 11% and 7%-9% respectively.

By – Product of Palm Oil

The byproduct of the palm oil extraction process is biomass. GAVL is working to create additional revenue streams from this biomass to reduce dependence on CPO prices. One of the initiatives being worked on by GAVL's R&D teams is using oil palm biomass as an input for the animal feed business.

Dairy Business



Industry

Margin in different Dairy Products		
Product	Gross Margin	EBITDA Margin
Liquid/ Pouch Milk	18-20%	4-6%
Ghee	15-18%	8-10%
SMP(Skimmed Milk Powder)	3-5%	1-2%
Curd	32-34%	14-16%
Cheese	28-30%	16-18%
Whey	40-45%	22-25%
Butter	15-18%	5-8%
Buttermilk	20-22%	12-14%
Flavored Milk	24-26%	10-12%
Source : Crisil		

Margins are good in whey, Cheese, and curds.

Shift in the consumption pattern towards the Value Added product like UHT Milk, Flavored Milk, Cheese, Butter is positive for the Industry players.

Godrej Agrovet Dairy Business

GAVL entered the dairy business in 2005 and in October 2015 it acquired a majority equity interest in Creamline Dairy, which currently sells milk and milk based products under the 'Jersey' brand.

GAVL operate 9 milk processing units and has a range of offerings comprising, fresh toned milk, double-toned milk, standardized milk and full cream milk. It is also into milk-based value added products include curd, lassi, butter milk, flavored milk, paneer, ghee, milk powder, doodh peda and ice cream.

GAVL has a well-integrated supply chain network for dairy operations that includes procurement from over 52 districts across six states in India. Average daily milk procurement for FY17 was 6.3 LLPD which has increased to ~7 LLPD in 9MFY18. Company has a network of 120 chilling centers for milk procurement.

Shifting of Market Dynamics from Un-Organized to Organized sector will also benefit the Industry Players.

GAVL Shifting Focus to More Value Added Product

GAVL sells basic liquid milk as well as value-added dairy products. In FY17, 70% of dairy revenues comprise of liquid milk while 30% is by value added products. The focus has been to increase the share of value-added milk products in the portfolio. This will help in Increasing the margins.

Company	PBIT Margin	GAVL margin is lowest amid the Industry Peers. With Focus shifting towards more Value added Product, We expect Margins of GAVL to Increase.
Kwality Dairy	6.80%	
Prabhat Dairy	6%	
Hatsun Agro	5.70%	
Parag Milk	4.05%	
Godrej Agrovet	3.20%	

Distribution Network

The company has 4,000 distributors for fresh milk, 3,000 distributors for value-added milk products and 50 retail parlours.

Q3FY18 Result

Revenue Mix	Q3FY18	Q3FY17	YoY Chg
Animal Feed	647	631	2.5
Oil Palm	136	111	22.5
Crop Protection	156	149	4.7
Dairy	282	243	16.0
Total	1221	1134	
PBIT Mix	Q3FY18	Q3FY17	YoY Chg
Animal Feed	39	39.5	-1.3
Oil Palm	25.3	25	1.2
Crop Protection	36	27	33.3
Dairy	9	6.2	45.2
Total	109.3	97.7	

Yearly Financials

(Fig in Rs Cr)	FY16	FY17	FY18E	FY19E	FY20E	
Revenue	3750	4911	5120	5843	6790	Revenue is expected to grow at CAGR of 15.1% in next 2 years.
Growth		31%	4%	14%	16%	
EBITDA	296	439	453	540	662	PAT is expected to grow at CAGR of 23% over the next 2 years.
		48	3	19	23	
PAT	166	254	292	360	475	
No. of Shares	19.2	19.2	19.2	19.2	19.2	
EPS	9	13	15	19	25	
P/E	73.2	47.8	41.6	33.8	25.6	

Valuation

We believe company is well poised to grow at CAGR of 15%. Margins are expected to improve as GAVL introduces higher Value Added product.

GAVL has good promoter backing and established brand name in India.

We expect FY20E EPS to be Rs 25. Stock is trading at 25.6X to FY20E EPS of Rs 25. We value the stock at P/E of 30. **The Fair Value comes at Rs 750.**

We expect 19% upside from current level in medium term.

Investment Time Horizon is 6-8 months.

Strategy

For higher margin of safety one could accumulate the stock on every decline.

Safe Harbor Statement

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