

kaveri seed company limited



29th December 2016

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Dear Sirs,

**Sub: Transcript - Kaveri Seed Q2 & FY 2017 Results Conference Call on
Friday, 16th December 2016 - Reg.,**

Please find attached herewith Transcript of Kaveri Seed Company Limited Q2 & FY 2017 Results Conference Call made on Friday the 16th December, 2016. The same was displayed at our Company's website: www.kaveriseeds.in.

This is for your information and records.

Thanking you,

Yours faithfully,

For KAVERI SEED COMPANY LIMITED



C MITHUN CHAND
WHOLE TIME DIRECTOR

Encls: a/a.



Kaveri Seed Company Limited

Q2 & H1 FY17 Earnings Conference Call Transcript

December 16, 2016

Moderator: Good Day, Ladies and Gentlemen and a Very Warm Welcome to the Kaveri Seeds Company Limited Q2 & H1 FY17 Earnings Conference Call. As a reminder, all participants' 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 phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vikram Rajput from CDR India. Thank you and over to you, sir.

Vikram Rajput: Thank you. Good evening, everyone and thank you for joining us on Kaveri Seeds Company Limited's conference call. We are joined today by G.S. Satish - Chief Operating Officer of the Company and Mr. Vijay Kumar - CFO of the Company.

Before we get started, I would like to point out that certain statements made or discussed on the conference call today may be forward-looking in nature and must be viewed in conjunction with the risks we face. The company does not undertake to update them. A statement in this regard is available for reference in the presentation.

We will begin the call with opening remarks from Mr. Satish, who will share updates on the market environment and take you through the strategic imperatives of the company; he will be followed by Mr. Vijay who will share his thoughts on the performance during the period under review; we will then have the forum open for Q&A Session. Now, I will invite Mr. Satish to share his views.

G.S. Satish: Thanks, Vikram. Good afternoon and a warm welcome to all of you. At the outset, we are very sorry for the late change in the concall date and time; this was due to the demise of a close family member of Vijay Kumar. So I want to thank you all to accommodate your time today.

I will start by giving you the industry background and then spend time on our performance.

As most of you are aware, seed industry faced several challenges in the past few quarters, but good monsoon this year has revived the sector. The moderation in

cotton acreage in FY17 is being offset by growth in maize, pulses and vegetables. As on date, Rabi acreage is up by 7% and maize acreage by about 4%.

In the recent period, all signs point towards a healthy recovery for the next Kharif. This time around, the monsoon being normal; we have also shown a couple of slides highlighting the same in our results presentation. Surplus rains in last 2 weeks of September in Central and South India resulted in an extended cotton season, enabling an improvement in farmer income with additional pickings. There was no severe incidence of pest reported in cotton. Further, cotton yields are projected to be higher by 10-12% YoY. Commodity price of cotton has risen sharply as on December. Prices have seen an improvement across the key cotton states of Andhra Pradesh, Telangana, Karnataka, Gujarat, Maharashtra and Madhya Pradesh.

Other positive news flow is that cotton seed production is projected to be better than last year both in terms of quantity and quality. Lastly, pulses and soyabean prices have dropped, which would lead to increased sowing for cotton & maize in the upcoming year.

Speaking on the issue of demonetization, the impact for us is quite limited. Our receivables have been unaffected for this season. Payments from distributors have been steady, as seed sales, especially cotton, typically happen in early June. Varietal business like wheat has been impacted as farmers used saved seed. However, hybrid seed business was relatively unaffected. Going forward, we expect organized players to gain market share as banking transaction increases.

Coming to our performance, if we look at specifics of each crop performance for Kaveri, in H1FY17 we have sold 5.4 million cotton packets this year as compared to 5.6 million cotton packets last year, a 4% decline compared to a 15% decline in industry volumes. This has been enabled by good performance of Jaadoo and ATM hybrid which have been consistently performing better than competition. We have gained market share across states including AP and Telangana. If you look at specifics, Maharashtra, we have done extremely well, our increase in volume has been about 30% in Maharashtra and in the states of Madhya Pradesh and Rajasthan, we have grown about 20%. Also, as indicated previously, we have also this time participated in the credit market in AP and Telangana. Even in AP and Telangana, in spite of the drop in the acreages, our market share has actually gone up. I am glad to share that the stock returns of field crops have been lower by approximately 35% for Kharif season as compared to last Kharif season.

Kaveri Seeds' non-cotton story continues to get stronger. In H1FY17, maize volumes grew by 29% YoY to 8,100 tonnes as compared to 6,300 tonnes. This is a combination of acreages growth across the states and our industry-leading supply chain efficiencies. Revenues continue to benefit from higher volumes and our portfolio shift towards higher price products. Our maize revenue for first half of the year is Rs.134 crore as compared to about Rs.96 crore for the first half last year on gross revenue basis. Whereas the Rice performance has moderated a bit, due to decline in hybrid rice volumes.

Our diverse and farmer-centric product portfolio continues to expand progressively. During our last concall, I shared details on several new hybrid launches, let me just provide a quick update on them. Of the 3 new cotton hybrids under demonstrations with farmers, 1 hybrid is planned to be scaled up in FY18. Of the 3 new hybrids launched in maize for Kharif season, 1 hybrid to scale up in FY18. Further, 2 new maize hybrids to be launched in upcoming Kharif. All 3 of the new pearl millet hybrids launched this year, to be scaled up. Of the 1 new hybrid launched for hybrid

rice and research rice each, both to be scaled up in upcoming Kharif. Further, 1 new rice hybrid and 2 new research variety to be launched.

Looking ahead, cotton business is shaping up well and we expect increasing contribution from non-cotton business. We have the attributes which will allow us to deliver profitable growth and expanding value to our stakeholders.

With that, I invite Vijay to take you through the Q2FY17 performance.

G. Vijay Kumar:

Thank you, Satish. Good afternoon and thank you all for joining us on the call today. I will start by recapping the financial highlights for the quarter and half year and then focus in providing you some flavor around the numbers and our journey forward.

In H1FY17, revenue stood at Rs.561.7 crore as against Rs.605 crore in H1FY16. In Q2FY17, revenue stood at Rs.67.8 crore as against Rs.66.3 crore in Q2FY16. Most of you are aware revenues have been impacted by reduction in hybrid cotton seed price along with moderation in cotton seed volumes. The selling price of hybrid cotton seed has been reduced as per the Cotton Seed Price Control Order 2015 and price notification issued by the Ministry of Agriculture. In H1FY17, EBITDA stood at Rs.181 crore as against Rs.186 crore in H1 FY16, translating to an EBITDA margin of 32.78%. In Q2FY17, EBITDA stood at Rs.20.4 crore as against loss of Rs.41.7 crore in Q2FY16, translating to an EBITDA margin of 30.14%. In H1FY17, PAT stood at Rs.162 crore as against Rs.173.09 crore in H1FY16, resulting in PAT margin of 28.86%. PAT stood at Rs.7.7 crore as against loss of Rs.48.1 crore in Q2FY16, resulting PAT margin of 31.25%. The turnaround in quarterly profitability is a result of lesser stock returns and lesser stock write-offs during the quarter as compared to last year same quarter. The noteworthy improvement in other income is a result of investment portfolio shift from short-term to medium-term.

We have provided reconciliation between the profits as reported earlier and the Ind AS recast profits for the quarter and half year ended September 30, 2015 in the our presentation as well as the results sent to the exchanges. The biggest item to be impacted is Sales Schemes. Amount of "Sales Schemes" earlier grouped under "Other Expenses" representing amounts in the nature of discounts and rebates, now have been reduced from Net Sales as a result of Ind-AS adjustment for quarters ended 30 Sep. 2016, 30 June 2016, 30 Sep. 2015 and half year ended 30 Sep. 2016 and 30 Sep. 2015. Schemes & incentives which typically would form 18-20% of Revenues would as per Ind-AS not form part of Revenues.

I am pleased to share working capital management continues to remain strong and there is notable improvement in debtors' level and receivables. Receivables reduced to Rs.250 crore as against Rs. 311 crore in September 2015. Total cash on books stood at Rs.542.94 crore as compared to Rs.311.81 crore in September 2015.

I understand we will get queries on the utilization of cash, so let me share our views upfront. We are cognizant of the high cash figures on our books. Let me assure you we are focused on distributing capital to our shareholders as it has been our corporate philosophy. This is all I can share at this point. We will come back on utilization of cash before or along with Q4 results.

On that note, I conclude my opening remarks. We would be happy to give you our perspective on any questions that you may have.

Moderator: Thank you very much. Ladies and Gentlemen, we will now begin the Question-and-Answer Session. We will take the first question from the line of Niket Shah from Motilal Oswal Securities. Please go ahead.

Niket Shah: Sir, just wanted to know the sales return as well as the write-off figure for the H1 of this year versus last year, what would have been the amount?

G. Vijay Kumar: Write-off for the last year H1 is Rs.52.82 crore against this year Rs.39.03 crore.

Niket Shah: The other thing is just wanted to understand what is the visibility for us for production for next year and what is the inventory that we are carrying for Cotton Seeds and number of packets, so inventory of this year plus what is going to come up next year for us to be available for sale for the first quarter of FY18?

G.S. Satish: Niket, this year because of the rains coming late and the planting happened a bit late, so we are just starting to receive the seeds, it is a bit early for us to give you a firm number, probably next quarter we would be in a better position to give you an idea of what sort of availability is there. As mentioned earlier, the crop this year is looking very good, much better than last year, could be one of the best years for production. So just excuse us to give a firm number at this point in time, probably next quarter we would be in a better position to indicate.

Niket Shah: On the production side, would you think that there would be growth in seed production because obviously this year acreage is down obviously for the next year there could have been some shortfall in production, right, assuming the yields remaining at the same level, because it is also a factor of the acreage growth of the previous, is it not?

G.S. Satish: Are you talking about the seed production or the commercial farmer growing.

Niket Shah: The seed production that you are trying to do, because it is also a factor of the acreage growth of previous year, isn't it.

G. Vijay Kumar: No, it is not like that. Commercial acreage has come down but our seed production has not come down.

Niket Shah: Not the factory part of it.

G.S. Satish: Niket, could you repeat your question, we are talking about seed production?

Niket Shah: On the seed production part, the seed that you basically get from the farmer is obviously a subject to the acreage growth of the cotton of the previous year. Is that a correct assumption?

G.S. Satish: No, the seed production actually happens at the same time when the commercial production happens. Selling happens in the month of June, it is at the same time when the seed production also happens, so parallelly it happens. So the seed which we want to sell for FY18, that production went into the ground in the month of June of this year. So the intake is just starting to happen.

Niket Shah: So if I want to sell something in the first quarter of FY18, I have to plan it from the first quarter of FY17?

G.S. Satish: Yes, you are right.

Niket Shah: But this year there has been a reduction in acreage to the tune of 10% or 8% as you rightly mentioned in the initial part of your remarks. Does it also mean that the production will get impacted for the next year?

G.S. Satish: No, these are two independent things. The acreage reduction is actually for the overall cotton production which is done by the commercial farmers; seed production is an independent decision. So there are two independent events which happen. To clarify the question, seed production what we are taking is just coming in. So it is a bit early for us to say in terms of what quantity would be available for selling next year, rest assured that I think the quantity and quality is far better than last year, so we should be in a good condition for coming year.

Niket Shah: How much inventory right now that we are carrying it up?

G.S. Satish: Niket, I think this is a little sensitive information, I can just tell you that we have good inventory at this point of time.

Niket Shah: It is safe to assume the age of the inventory is less than 1.5-years?

G.S. Satish: Yes.

Niket Shah: What will be the share of single cross versus double cross in corn right now for us?

G.S. Satish: One of the reasons for our price increase is the portfolio change towards higher priced hybrid, so the contribution of the single cross is going up, current our contribution of single cross is shade above 50% in our total portfolio.

Niket Shah: One is on the Maharashtra government statement which came yesterday saying that Monsanto will not be allowed and the seeds will be sold at Rs.350. What is your take on that?

G.S. Satish: First of all there is no clarity in terms of who is going to produce that seed or how much will be the availability would be there. Maharashtra is the largest cotton market. For someone to come with that sort of seed production, is very highly unlikely because as I was earlier mentioning the seed production should have been happening in the month of June to October-November. We do not anticipate that they will be producing that quantity of seed. The threat is very minimal. It is unlikely that there will be an impact on the seed companies in terms of sales in the coming year.

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

Abhijit Akella: First is if you could just give us the breakdown of the net revenues for the quarter please by your seeds?

G. Vijay Kumar: We can give the gross revenue breakup only.

Abhijit Akella: But then how do we reconcile that with the reported sales on the P&L?

G. Vijay Kumar: That includes all "Sales Schemes" were discounted, in crop wise, different schemes will be there, different discounts will be there, in our 'Investor Presentation' also we have given gross revenues only.

Abhijit Akella: So could you give us the total amount of “Sales Schemes” for the quarter?

G. Vijay Kumar: That I cannot give, that is what I told you. That is market sensitive data

Abhijit Akella: The second question was just when we look at the EBITDA margin excluding the other income for the quarter, it was only about 5% this quarter. So just wondering, which seeds was it due to because I believe cotton as well corn and everything we make well over 20% margins, so why this 5% margin here?

G. Vijay Kumar: Good contribution came from maize only, cotton is not much in Q2, you know that cotton is more in Q1 only, other fixed cost is more impacted and predominantly our business is more in Q1 and again Q3, kharif and rabi.

Abhijit Akella: The write-off that you gave were about Rs.39 crore for the first half, is that right, how much was that in 2Q?

G. Vijay Kumar: Right, Q2 was around Rs.11.8 crore.

Abhijit Akella: If you could just talk a little bit about the impact of demonetization and also your comment that you expect organized players to gain market share because of it?

G. Vijay Kumar: That is yet to conclude, whatever perspective we have as of now we have given in the presentation. We have to see that how the market will react, as on date there is no much impact on due to demonetization. In future because of the banking system strengthening hope that organized players like us will become very strong and our sales and business will increase and collections also should be good. And it will impact on the unorganized sectors.

Moderator: Thank you. The next question is from the line of Girish Raj from Quest Investment. Please go ahead.

Girish Raj: Not sure if you have any exposure on Tamil Nadu market. So any insight you can share broad-based because the slump of the northeast rainfall?

G.S. Satish: A good question. As you would you have seen the Northeast monsoon has been below normal this year and particularly Tamil Nadu has been impacted by that. To that extent overall market has come down and we have also had less sales in Tamil Nadu. Compared to last year, our corn also came down and our cotton came down a bit in Tamil Nadu, that is because the markets itself coming down. But the overall thing in terms of our contribution of Tamil Nadu in overall business of cotton is less than about 4% and contribution in corn is very minimal. So in our overall scheme of things it did not impact but it is true that the Northeast monsoon in Tamil Nadu has impacted overall both corn and the cotton market there.

Girish Raj: So how is the overall sentiment amongst the farmers especially for Tamil Nadu broadly?

G.S. Satish: At this point in time, I think the late rains probably would help them a bit but overall the crop has not been so great.

Moderator: Thank you. The next question is from the line of Chetan Thacker from ASK Investment Managers. Please go ahead.

Chetan Thacker: Can you just give me the hybrid paddy volume for H1?

- G.S. Satish:** Again, it is a little sensitive information for us to share very specific numbers. The hybrid market what we estimated in the Q1, the late markets did not come up, so to that extent we did have setback in our hybrid rice. So actually we had estimated a large number but the sales return was little more than what we expected. So hybrid growth actually came down as compared to last year by about 10%.
- Chetan Thacker:** Industry would have grown sir by how much this year for hybrid paddy?
- G.S. Satish:** This was the question which was also asked in Q1, the hybrid market this year as per our estimate did not grow much. Even if it would have grown, it would have marginally grown by a few percentage points only.
- Moderator:** Thank you. The next question is from the line of Deepak Madhavdas from LSA. Please go ahead.
- Deepak Madhavdas:** Sir, I would just like to know the effect of demonetization on the sale because we are actually penetrated towards the interior villages also? Number 2, is that we have got large amount of cash in the books. What sort of disbursement or what sort of benefit will the shareholders get in this regard?
- G. Vijay Kumar:** Demonetization impact was addressed in the opening remarks. On the cash distribution, in my opening remarks, I clearly mentioned, on or before Q4 results or along with Q4 results we will come back on how to share the cash to shareholders.
- G.S. Satish:** The timing when demonetization happened, this was in the month of November and if you look at the major sales in that time of the year is basically for the rabi season. Rabi season is primarily wheat, mustard, some pulses and maize. Wheat, mustard is typically a farm saved seed and a combination of varieties. So what we have seen is because of the demonetization, farmers have used their own saved wherever possible. It has not impacted us severely because we are not a major player there. But in case of maize, which is a big market for Bihar, there farmers understand the value of hybrid, so they have actually been able to sow the seeds. Yes, there have been a bit of delay. Sowing does not happen in rabi in a short span of time which is the case in kharif. Sowing window was a very long one for rabi. So what we have seen is the farmers have been able to manage sowing and that you could also see from the sowing updates which the government has put up that that the sowing is actually tracking ahead of last year, the sowing has happened and to some extent the farmers have downtraded from high priced product to lesser priced product which they usually would have used. But it has not impacted us severely and our sales volumes are looking quite positive as compared to last year.
- Moderator:** Thank you. The next question is from the line of Nitin Gosar from Invesco Mutual Fund. Please go ahead.
- Nitin Gosar:** The second quarter number when it comes to profitability how do you qualify this -- as normal average or below average and what could be the reason for the deviation if at all it is below average?
- G. Vijay Kumar:** As mentioned earlier, our business is totally seasonal and Q1 is maximum business. As per my view, this is a normal average only by profitability and even if you compare to last year.
- Nitin Gosar:** I am comparing the numbers, if I were to see it on second quarter number for last 3-4-years, then you have been doing almost like Rs.11 crore, Rs.31 crore, then negative Rs.45 crore last year and possibly the same around Rs.3.5 crore on

EBITDA. I can clearly take your point that last year was an abnormal year, so that is why the wagering. But prior to that the run rate that we are having during the second quarter, that is not getting reflected during this time in second quarter, hence wanted to understand the deviation. As far as you had pointed out earlier about the fixed cost being higher, the quotient of fixed cost being higher is not clearly explaining the variation?

G. Vijay Kumar: Fixed cost always continuously will be there for all quarters and previous to previous year first quarter cotton spillover is also there in Q2, that is the reason the EBITDA margins were good in that quarter, this year that spillover is not much there.

Nitin Gosar: Still the point is, if you go to the history of 5-6-years, the second quarter is typically close to around Rs.8-10 crore as an EBITDA by minimum, on the very lower side. It has got to do something with the gross margin. I am not having the explanation. So would like to see something if you can clarify on that?

G.S. Satish: As Vijay was saying, it is a seasonal business and the timing of the monsoon impact split between Q1 and Q2. In the past because of the late arrival of the monsoon, some of the spillover has gone to second quarter and that is why you see a higher number in some of the years for the second quarter. This year has been normal year and you could expect a similar pattern going forward. So I think you could expect a similar trend going forward. So this year should be taken as a normal sort of split.

Nitin Gosar: Slightly trying to twist this question around, the EBITDA that you would be doing on per packet basis in cotton and corn, do they still hold good or similar to your past trend or they have dipped marginally or significantly?

G. Vijay Kumar: Still holds good.

Nitin Gosar: It is still falling in line with your historical average?

G. Vijay Kumar: Yes.

Moderator: Thank you. The next question is from the line of Karthikeyan from Suyash Advisors. Please go ahead.

Karthikeyan: I had two questions: One is if you could share with us the breakup of the inventory between cotton and corn at the end of September and the other crops of course?

G.S. Satish: Karthikeyan, I will have to get back to you on a specific number, but just to give you an indication compared to last year we have reduced our corn inventory substantially and the cotton inventory in terms of value is pretty much the same as compared to last year. So specific numbers, I do not have right in front of me at this point in time but I know for sure that the cotton inventory value is pretty much the same and corn has come down substantially.

Karthikeyan: So just to read this carefully, are you suggesting that the sales of corn in the second half will be similar to last year, lower than last year, higher than last year, some sense on that please?

G. Vijay Kumar: Compared to last year it will be higher.

Karthikeyan: Is that the result of mix or volume?

- G.S. Satish:** In terms of volume, we need to wait for the season to go on, the season is currently on in Bihar as well as for coastal Andhra Pradesh, we are waiting the final numbers at the end of Q3, we really need to look at in terms of what impact does demonetization finally have. The placement has been quite good, we need to really look at final liquidation and stock return if anything happens. We could possibly look at similar numbers of volume as last year at this point of time. I could just indicate at that level.
- Karthikeyan:** How is the Telangana region behaved in terms of credit sales? what is the trend that is being observed over there and how should one think ahead for cotton?
- G.S. Satish:** It was a good decision to participate in that. Overall the yields have been pretty good in Telangana. So we expect the farm income to improve in those areas which would result to better cash flows to the trade channel which in turn would come back to us. Currently, yes, there is a bit of challenge for the farmers to sell the produce but cotton is a commodity which they can hold long time. So there have been transactions mostly on cash earlier which has to move on to cheque system. So there has been a bit of challenge for the farmers to sell off, but the situation would ease out in the coming months and we expect the cash flows to improve. Overall the farm income conditions in those markets are looking pretty good given the productivity which the farmers have got this year in cotton.
- Karthikeyan:** Therefore, do you think next year the market will move to lower amount of credit demand from the sellers, that is?
- G.S. Satish:** That market is always a credit market, it is a matter of recovery, I think the important thing is to look from the recovery perspective, the recoveries would be much better and hopefully advances would be also better from those markets.
- Moderator:** Thank you. The next question is from the line of Niket Shah from Motilal Oswal Securities. Please go ahead.
- Niket Shah:** Just two follow up questions: Wanted to understand for FY18, the seed that you are getting right now for the next season, the cost of seed is it higher or lower than the previous year?
- G.S. Satish:** I As we were mentioning little earlier, the fresh cotton production has come in just now, the quantity and quality is looking good. Last year because of the climate issues, we did have challenges on recovery. We are hoping that this year the recoveries would be better. So hopefully we expect a slightly lower cost of production for cotton. The other crop important crop for us is maize This year the entire industry is running short on seed, so there have been demand for higher production acreages and likely that there might be a slight increase in the cost of production from maize.
- Niket Shah:** The royalty litigation that we currently have with Monsanto, any update on that what is really happening on that front, because we still have some contingent liability on that angle?
- G. Vijay Kumar:** That is still under the judiciary, hearings are going on, it takes some time, we cannot comment on that.
- Niket Shah:** How much of revenues come from government orders for the first half of this year versus last year... is it a significant number, less than 10% of revenues?

- G.S. Satish:** The government sales have been a little lesser than last year, yes, it is actually less than 10% of revenues.
- Niket Shah:** When do you expect your market share to reach 18% that you had in FY15 roughly around 8 million packets or 9 million packets that you used to sell earlier?
- G.S. Satish:** It would also depend on the overall cotton acreages in the coming year and how the crop would behave. Next year the cotton acreages looking good in the current scenario, but we need to really watch by the start of the season how the commodity price would behave. So one is dependent on the overall cotton acreages how it is looking, if it bounces back to the earlier years. And also our hybrid performance has been quite good. So it would be difficult for us to at this point to predict in terms of when we are going to reach that, I think let's wait cotton overall crop sentiments by the early part of the season next year and possibly that would have an impact on our overall sales volumes in the coming years.
- Niket Shah:** But on market share, any comment that you want to make because irrespective of the volume growth your market share can still improve within the existing pie?
- G.S. Satish:** Relatively our hybrid performance has been better than competition and we are confident that given the hybrid performance, we are strongly placed to further gain market share in Maharashtra and in Gujarat and we expect that the acreages which came back in Telangana and Andhra Pradesh, we have always been a market leader in these markets, so that should help us to increase our volume. So we are confident that our market share would improve in the coming year for cotton.
- Niket Shah:** The ban on Nuziveedu from Monsanto side still remains or that is lifted?
- G.S. Satish:** I think it is a discussion between both of them. We would refrain from making comments on that.
- Moderator:** Thank you. The next question is from the line of Amit Vora from PCS Securities. Please go ahead.
- Amit Vora:** One is the Rs.250 crore receivable that we have, what is the state wide breakup of that, earlier shared, any problem would there be because of demonetization on that aspect?
- G. Vijay Kumar:** We can't share the break-up. If you compare with last year, actually the receivables amount has come down substantially, as on date there is no much impact due to demonetization.
- Amit Vora:** The second question is concerning the other income that has gone up significantly in this quarter. So can we expect the similar run rate in the coming quarters or how do we read this?
- G. Vijay Kumar:** As mentioned in our presentation also, we have done our own exercise and moved certain short term investments to medium term investments, that resulted into that much other income and every time we cannot do that exercise and we cannot hope that same run rate will go on for every quarter.
- Amit Vora:** I know a lot of talk has been going on about the cash how it would be disbursed and everything but I think earlier in the calls and meetings it has been indicated that we would be holding on to around Rs.300 crore of cash which would be there

to suffice our contingent liability and whatever is there. What is it that is taking us this long to decide on what has to be done with the remaining cash?

G. Vijay Kumar: As mentioned, we are mulling on certain options, we will come back to you certainly before Q4 results or along with Q4 results on the cash payout.

Amit Vora: This time we are being assured by Q4 you will be having something is what you are indicating to us?

G. Vijay Kumar: Yes.

Moderator: Thank you. The next question is from the line of Jigar Valia from OHM Group. Please go ahead.

Jigar Valia: Can you help me with the industry volumes for cotton seeds for H1 state wise?

G.S. Satish: I have the overall country, our estimate is about 3.6 crore packet.

Jigar Valia: You mentioned that to come back to the old run rate the acreage, the size needs to increase. If you can help in terms of acreage for AP particularly and if it is possible for us to discuss district wise?

G.S. Satish: As earlier mentioned in our presentation, AP and Telangana has dropped in terms of acreage, AP overall acreage dropped by 29% as compared to last year, Telangana has a drop of about 27% over last year and the government in these states had promoted alternative crops as a solution for the farmers. But as things have panned out, cotton seems to be relatively far better crop for the farmers in both the states. So we expect these acreages to bounce back and so to that extent these two markets should bounce back that percentage which has dropped this year.

Jigar Valia: The alternative crops would be chilly for AP and for Telangana if you can?

G.S. Satish: Chilly is one of the alternative, they had encouraged quite a bit of pulses to grow this year, so that acreage had substantially gone up. But given the pulses acreages which has gone up and good crop, the commodity prices of pulses has come down quite sharply, we expect the farmers to come back to cotton in the coming year.

Jigar Valia: Same for Telangana, pulses?

G. Vijay Kumar: Yes, both.

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

Abhijit Akella: Just going back to the revenue breakdown at the gross level, what I can calculate for the second quarter based on your presentation, out of the total revenue you reported I think Rs.21 crore seems to be the cotton gross revenue, Rs.32 crore seems to be corn and I think that still leaves maybe another Rs.25-30 crore of all other seeds, if you could just help us with the breakdown of that how much was rice, was there any bajra and also was there any lint sales in the quarter?

G. Vijay Kumar: Bajra is around Rs.3 crore for Q2, rice in Q2 almost zero, lint sale and production is very small; only Rs. 13 crore around.

Abhijit Akella: Then the balance remaining sales what would it be –sunflower, wheat?

G. Vijay Kumar: Sunflower, mustard, jowar, wheat, everything put together.

Abhijit Akella: Just on this inventory write-down that you have of Rs.11.8 crore for the quarter, and also the Rs.39.3 crore write-down for the first half, it is lower than last year's level, but I think last year was an abnormally high inventory write-down number and we were actually expecting that the inventory write-downs would be much lower this year. So would you agree with that, is it still on the higher side compared to two-three years back, can you go back to some of the older levels?

G.S. Satish: We agree that it is on a higher side even this year. Given the operational efficiency which we instituting, we are confident that we will be able to bring it down. Last year also you are right in terms of it was a substantial amount, this year we try to bring it down. So a few things which is an indicator for coming years to reduce it. As we had mentioned in our presentation, our sales return relatively very low as compared to the previous year. Also, inventory has not been in the market for long time. Our overall inventory especially in field crops has come down substantially as in the previous year. So that is a lead indicator for further reduction in this particular aspect. We are confident that we will be able to bring it down to reasonably lower levels. In this quarter we also have written off some cotton hybrid which have been non-moving for some time. So that is the reason where these numbers looking high. Going forward, we are confident that this could come down. This is a part and parcel of the business. We cannot expect it to be zero but our endeavor is to bring down from the current levels which are there.

Abhijit Akella: So what would normal level be Satish, would it be Rs.15-20 crore in the normal first half would that be the reasonable level to look at?

G.S. Satish: We should look at the whole year for this one because the inventory depending upon the age which is there, so it could happen in different quarters Rather than looking at a quarter-to-quarter, it is a good practice to look at for the whole year for inventory write-downs.

Abhijit Akella: So from a whole year perspective, again, around Rs.20 crore, would that be the right number to sort of build in?

G.S. Satish: I think that would be a very aggressive number to look at on the size of the business which we have. I would say that for industry perspective, anywhere between 4% to 5% of revenue is a pretty good performance in terms of inventory write-downs.

Abhijit Akella: Just on this Rs.39 crore that we have taken of the write-down, would it be largely in corn again just like last year or is it more in cotton this year?

G. Vijay Kumar: Cotton is more.

Abhijit Akella: Is it possible to break down of packet volumes the state wise sales that we have had this year in cotton?

G.S. Satish: I think we would refrain to share that information because it is a bit sensitive from a competitive perspective.

Moderator: Thank you. The next question is from the line of Nitin Gosar from Invesco Mutual Fund. Please go ahead.

- Nitin Gosar:** One of the participants asked kind of breakup on inventory. I think you mentioned cotton is at the similar level and corn has seen some kind of substantial markdown or maybe the utilization or the sales of corn has been higher so the overall inventory on corn has been low. Is that right or the other way?
- G.S. Satish:** Yes, Nitin, your understanding is correct.
- Nitin Gosar:** Just a clarification further; like year-on-year if I were to see first half versus first half your inventory is up to Rs.347 crore versus Rs.270 crore last time. So what could be the reason for this higher delta keeping in mind your cotton and corn would be the biggest contributor?
- G. Vijay Kumar:** Last year Rs.341 crore and this time is Rs.347 crore. We have now recasted inventory figures and everything as per Ind-As valuation. As per that if you see the FY 2015-16 H1 30th September figures, the inventory values are around Rs.341 crore and this year it is Rs.347 crore.
- Moderator:** Thank you. Ladies and Gentlemen, that was the last question. I would now like to hand the conference over to Mr. Satish for closing comments.
- G.S. Satish:** It has been a pleasure interacting with you all over the call. We thank you for taking time out and engaging with us today. We value your continued interest and support. If you have any further questions or would like to know more about the company, kindly reach our investor relationship desk and thank you and have a nice week end.
- Moderator:** Thank you very much. Ladies and Gentlemen, on behalf of Kaveri Seeds, that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.

- ENDS -

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