

18th February 2021

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Dear Sir/ Madam,

**Sub: Transcript - Kaveri Seed Q3 & FY 2020-21 Results Conference
Call on Wednesday, 10th February, 2021 - Reg.,**

Please find attached herewith Transcript of Kaveri Seed Company Limited Q3 & FY 2020-21 Results Conference Call made on Wednesday, 10th February, 2021. 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

V.R.S. MURTI
COMPANY SECRETARY



Encls: a/a.



Kaveri Seeds Company Limited

Q3 and 9M FY21 Earnings Conference Call Transcript

February 10, 2021

Moderator: Ladies and gentlemen, good day and welcome to Kaveri Seeds Company Limited Q3 and 9M FY21 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Gavin Desa from CDR India. Thank you and over to you, sir.

Gavin Desa: Thank you. Good day everyone and thank you for joining us on Kaveri Seed Company Limited's Q3 and 9M FY21 conference call. We have with us today Mr. Mithun Chand, the Executive Director.

Before we begin, 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 the company faces. 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. Mithun Chand who will address updates on the market environment and take you through the strategic imperatives of the company. We will then have the forum open for an interactive question-and-answer session. I would now like to invite Mr. Mithun Chand to share his views. Over to you, Mithun.

Mithun Chand: Thank you, Gavin. Good day everyone and a very warm welcome to all of you. I hope all of you are safe and healthy as we battle across the pandemic together. We are happy with our progress in the quarter and 9 months under review. For 9M FY21, revenue stood at Rs. 972.05 crore as against Rs. 867.23 crore for 9M FY20, a growth of about 12%. Operating EBITDA margins excluding other income stood at 32.29% in 9M FY21 versus 30.66% in the corresponding 9 months. PAT at Rs. 319.82 crore, higher by 31.2%. Our balance sheet remained strong. Total cash on books as on December 31st, 2020 stood at Rs. 455 crore. As you are aware, almost all this cash is invested in mutual fund schemes of varying durations.



Moving onto our business performance; cotton seeds volumes are marginally lower by 2%. We have gained market shares in cotton in Gujarat and Haryana while there have been slight losses in the states of Andhra Pradesh and Telangana. The contribution of new products remained strong at 35%. Industry wise cotton acreages have been largely stable. Growth of our non-cotton portfolio continues to be strong, improving by 34.18% for the 9 months under review. Hybrid rice and selection rice have both performed well, growing by 47.72% and 49.98% respectively.

Our new launches in selection rice - Chintu rice and Sampurna have all performed very encouragingly. Maize volumes are higher by 19.11% and revenue by 13.6%, again well supported by new product launches. This contribution stood at 9.27% by volume. As we had earlier indicated in rabi, maize acreages have been lowering by about 10% due to poor commodity prices. Vegetable sales which is a key focus area for Kaveri Seeds saw strong volume growth of 150% for the year to date. The key growth drivers were hot pepper, tomato, gourds and okra. Going forward, we continue to be positive about the prospects of our hybrids in maize and millet and our vegetable portfolio. The vegetable market in particular is valued at Rs. 30 billion and growing at 20%. Kaveri's market share is extremely low giving us ample opportunities to grow and establish our presence.

Further, on the back of the successful launch of CLCV virus resistant hybrids in hot pepper market, we have identified a few more CLCV virus resistant hybrids on plant and introduce 2 new hybrids in the coming year.

On that note, I conclude my opening remarks. We would be happy to give you our perspective on any questions that you may have. I would request the operator on this call to open question and answer session. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Nitin Awasthi from East India Securities. Please go ahead.

Nitin Awasthi: Sir, I was just trying to understand what is happening on the maize front because what I was looking at the numbers, what I realized was although the area under acreage is down by 10%, it seems like our volumes down to close to 30% and maize being the major revenue driver this quarter last time around, that is what has impacted our topline.

Mithun Chand: Yeah. If you see the overall acreages for the rabi crop, the maize volumes are down. In particular for Kaveri, the maize volumes are down by more than 20% compared to previous year. Basically, the areas like Bihar and areas where we are strong like in Bihar and Andhra been impacted a lot. That is the reason you see more impact in terms of revenues from maize. But as if you go as a crop, maize in a long-term view, it looks very good. Now the commodity prices have also improved and we are still very bullish on maize crop going forward on the line.

Nitin Awasthi: Got it sir. Secondly sir, this time around our employee expenses and other expenses were higher Q-on-Q. So could you just shed some light on that?

Mithun Chand: As we are continuously adding employees for the growth and we are investing lot in the R&D programs, so that is where the employee cost is going up. And in terms



of the other expenses, it almost remains slightly higher because we are doing some seed promotional activities for the further years that is coming up, otherwise it is in line with our program and if you see year-on-year being a lean quarter as a percentage it might look higher, but it is in line with our overall 9 months figure.

Nitin Awasthi: So lastly on the rice front, we are doing extremely well as indicated by the company earlier also that the rice will be the major focus and it will become the major revenue garner for the company. What I would like to understand is how much of this increase in sales has come in from the existing markets and how much has come in because of addition of newer markets?

Mithun Chand: If we talk about rice, we are one of the largest players. We are almost in the second largest player in rice. We are almost present across all geographies, but to answer your question, we increased the market share in most of the areas where we are operating. So that is the main growth driver for rice. And if you see as a portfolio, rice is close to 25% of our overall portfolio and second to cotton now. And going forward also, we see a good growth in hybrid rice.

Nitin Awasthi: Got it. Lastly sir, on the rice front, what would be the market share difference between you and the leader currently?

Mithun Chand: Right now in terms of the hybrid rice, we are close to 10-11% of the market share. The leader is close to like 27-28%.

Nitin Awasthi: On the hybrid rice front, what is the industry growth rate, hybridization in rice right now?

Mithun Chand: Right now it is like 8-10% growth this year overall in hybrid rice and if you see in the last 10 years, it is growing at a pace of 5-7% year-on-year.

Moderator: Thank you. The next question is from the line of Chetan Doshi from Tulsi Capital. Please go ahead.

Chetan Doshi: I have two questions. One is the other income for the 9 months is shot up by almost 180% and second question is last concall, you promised that yes, we are going to support small shareholders and there will be an announcement of buyback, but it has not come till February. So how are you going to reward your shareholders in the current year when you are making such excellent profits?

Mithun Chand: To answer your first question regarding the other income, if you see the entire other income is generated by the investment activities in the mutual fund with what we have as a free cash flow. So some funds have matured in the earlier quarters and even this quarter that has resulted in 9 months growth whereas in last year, the majority of the other income came in the fourth quarter. So if you see year-on-year basis, it should be in line with the last year numbers. And if you come back to the buyback one, yes, only in this week, the entire procedure got completed, but as a management view, we are keen to distribute or reward to the shareholders that will definitely in the mind of the board of Directors, definitely that will let you know the plan in the coming quarters.

Chetan Doshi: And how much you plan to end up this year?



- Mithun Chand:** Fourth quarter is a very lean quarter for us, not many expenses are expected, but in terms of the revenue, it should be in line with this year numbers and the other things will remain same. As you said in last year, it was only Rs. 45 or 50 crore of revenue came in the fourth quarter, so that is very insignificant number for us.
- Chetan Doshi:** This year you are concentrating new products like vegetables and all, so the growth will come from these new products?
- Mithun Chand:** But it is a very lean quarter. See, other crops, so it is a very lean quarter for us. So in terms of vegetables, we will be doing better than last year, but all other crops remained same, so not much impact on the topline.
- Moderator:** Thank you. The next question is from the line of Nishit Shah from Aequitas Investments. Please go ahead.
- Nishit Shah:** Sir, I want to understand in our non-cotton side, going forward do we see our realizations moving up or everything would be from the volume side, the growth?
- Mithun Chand:** There might be a slight increase in terms of the margins and all. If you see compared to previous year to now, for the first 9 months we are up by almost like 1.5-2% in terms of the EBITDA margins. So going forward, there might be a slight increase in terms of the margins also as we are moving in the non-cotton segment.
- Nishit Shah:** And coming sir particularly to the maize segment, so our volumes are up 19%, but the revenues are up only 14%. So do we see some competitive pressure over there or what are the issues over there?
- Mithun Chand:** Basically, the rabi crop contributes the majority of the revenue. We were up in the kharif part. Kharif average selling price is lower than the rabi part, that is we have increased volume in the kharif. That is the reason you are seeing a slight impact in terms of the revenues.
- Nishit Shah:** And going forward, what is our target for R&D spends, are we planning to ramp this up significantly or it would be in the similar range of 3% what we have been doing in the past?
- Mithun Chand:** If you see in the last year, we are consistently increasing the spend on the R&D and the same time we are putting in the topline also, that also we need to consider. So in terms of the spend, we have added many people, we have added new labs and we are consistently increasing our spend on R&D and going forward also by seeing the size and this we are spending much better than the industry and it will be in line with that. And the other point what we need to observe here is that most of these facilities are our own facilities, that is the reason you see a slight decline in terms of R&D expenditure.
- Moderator:** Thank you. The next question is from the line of Abhijit Akella from IIFL Securities. Please go ahead.
- Abhijit Akella:** Just a few questions related to some of the new products in some of the segments. So, first of all, the new products you define as products launched in the last how many years, is it 3 years or 4-5 years, how is it different?



- Mithun Chand:** Basically, there are 3 years what we take us because with time of the introduction, it takes at least 3 years till we consider as a new product, 3 to 4 years based on the introduction of it.
- Abhijit Akella:** And in rice, KPH 468 seems to have done extremely well in the last maybe 3 years since it has been introduced. So is it possible to share some sense of how much of the hybrid rice is from this particular hybrid and how much it has scaled up in the last few years and what do you see the potential of this product, I believe the rice market overall is 60,000-65,000 tonnes overall in India. How do you see this product possibly scaling up before it reached peak maturity?
- Mithun Chand:** If you see 468, it is almost like 3 years where we are seeing a continuous growth of it and close to 50%-60% of our hybrid portfolio is from 468. If you see the product, this is a hybrid potential, still it has a potential to double. And it is much more than double going forward. So that is a very promising hybrid and still we will do well. And to support that, we are introducing some other hybrids in different segments in hybrid rice which will also contribute for the growth going forward.
- Abhijit Akella:** So in terms of volumes for your rice portfolio, would you have any target market share in the 60,000 tonnes market say over the next 5 years or so where you expect to end up?
- Mithun Chand:** Definitely, we want to get leader in the hybrid rice market. And if you see the industry growth and our growth, our growth is much higher than the industry growth and by seeing the product performance and by we are seeing the pipeline hybrid, we are pretty confident that we will be leader in hybrid rice in the next 5 to 7 years.
- Abhijit Akella:** And any color you could give in terms of what differentiates your hybrids from what is already in the market, why you are gaining share?
- Mithun Chand:** Basically, there are many attributes for that. One might be the yield, that is disease resistant and other value-added attribute like pest resistant or virus resistant. So, these are the factors which actually make the hybrid performance better. So we are developing hybrids which are resistant to most of the pests and giving a better yield, not only yield in terms of the grain and in terms of the other factors.
- Abhijit Akella:** Just one last thing on the rice and maybe I will come back for more. You did Rs. 85 crore from hybrid rice last year in FY20. This year, you seem to be on track for Rs.135 crore or so, so about Rs. 50 crore increase Y-o-Y. Can we expect a similar kind of increase next year also like Rs.50-60 crore at least further growth?
- Mithun Chand:** We are anticipating at least 20-25% of growth in rice, that is what we said, and we should be slightly above that, but we are pretty confident for the 20-25% growth.
- Moderator:** Thank you. We will move on to the next question that is from the line of Viraj Kacharia from Securities Investment Managers. Please go ahead.
- Viraj Kacharia:** First question was on the hybrid rice. So you said we have been growing our volumes much higher than the industry rate. So who are we gaining the market share from?



- Mithun Chand:** We are gaining from most of the companies. There are many companies who are losing it. We cannot name in specific, but as a whole, we are gaining it. If you see as an industry, we said that it has gone by 8-10%, but as a company, we are growing by more than 47-48%. So we are taking some of the market share in that, not specific to any one company.
- Viraj Kacharia:** So if you have to compare a gap versus leader, has that kind of shrunk, also has there been a considerable market share change in the leader itself or is it the other peripheral or the smaller players that we are able to kind of consolidate and gain from?
- Mithun Chand:** So as a leader, they are not able to grow in as what we grow, that itself shows that our hybrids are performing better than most of the cases. So definitely that gives an edge for us.
- Viraj Kacharia:** Just to delve back on the strategy part. So apart from focus on non-cotton portfolio, couple of years back the whole idea was to kind of derisk from the core concentration we had in terms of the core territories AP, Telangana and the Southern market. So how has that changed for us for major crops, so if you have to compare last 2-3 years and how has that mix changed for ours and how has the market share moved into those new markets?
- Mithun Chand:** Except for cotton in Telangana and Andhra, for all other products we had gained market share across India. We had gained market shares in Karnataka both in maize, cotton and in pearl millet also even including sunflower. So in Andhra and Telangana, we were not giving credit to the farmer that is the reason we have lost market share. Apart from that, nothing to worry about it.
- Viraj Kacharia:** But the new markets, so ex of AP, Telangana and Karnataka and all, how is our sales mix from those geographies? How has that changed and what is the market share in those regions?
- Mithun Chand:** Basically, majority of the hybrid rice moves in Northern states only, Northern Central states. So we have gained market share there and even in cotton, even though we are losing market shares here but we have gained market shares in Gujarat, Maharashtra, Haryana. So that shows that we are growing across India, not restricted to South.
- Viraj Kacharia:** And what is the growth we have seen in rice in this particular quarter, in volume terms?
- Mithun Chand:** We have grown by at least 35%, I think 35%-40%.
- Viraj Kacharia:** And what is it compared with the market?
- Mithun Chand:** Market is just like 6%-8%, not more than that.
- Viraj Kacharia:** Just one more question on rice. Typically, what we see is that, whenever we launch any new products in production, they come at a slightly better realizations but when we look at our overall 9 months number as well for both volume and overall sales, we have not seen any major delta or change in the realization part and rice part. So



just trying to understand, is it that the whole legacy portfolio is kind of seeing more pressure or moderation in prices or how should we understand this?

Mithun Chand: The majority of the product, majority of the rice market is from 468 which was introduced 3-4 years back. So, the realizations are same and we realized one of the largest realizations in the market. So slightly it will improve. But in terms of the volume is the one which drives the majority of the thing rather than the realization as we are selling at one of the highest prices.

Moderator: Thank you. The next question is from the line of Rohit Nagraj from Sunidhi Securities. Please go ahead.

Rohit Nagraj: Sir, the first question is in terms of the cotton seed placement. So if I remember the last year same quarter, we had indicated that to avoid giving any cash discounts we had slightly postponed the seed placement. So what is the current scenario in terms of the same?

Mithun Chand: It is not in terms of the seed placement, it might be in terms of the advances, collection of advances. So we are following the same strategy as last year. We are not collecting much advances from the market. So it will continue like last year itself.

Rohit Nagraj: And on cotton, this year we have a marginal 2% degrowth. How are we looking at for next year in terms of the cotton acreage and in terms of our growth from the lower base of this year?

Mithun Chand: I think the cotton acreages should remain stable this year itself. Initially we thought that it should be negative for cotton this year, but by seeing the present commodity prices it should be stable. And in cotton as we see that as we are improving market shares in Northern India, so we see a growth of like 5%-10% in cotton next year.

Rohit Nagraj: That is quite good to hear. Sir, the other question is in terms of the exports. So where are we currently in exports, I believe that currently our majority of exports come from Bangladesh. So what is the strategy in terms of expanding the geographical coverage over the next maybe 2 to 3 years?

Mithun Chand: We have sent samples to almost like 9-10 countries including Bangladesh. The neighbouring countries, African countries and South East Asian countries and the results are encouraging. Slowly, we have done small shipments out there, but definitely we will take another 2 to 3 years to get the initial breakthrough and this year because of pandemic we faced some issues in terms of exporting the seed and other parts that has also impacted to some extent of our exports. But on a longer-term view, exports are the one which we are focusing on and that should definitely add to the revenues going forward.

Rohit Nagraj: And sir just last question on the guidance though, earlier we had guided on a long-term basis topline will grow by about 10% to 15% and the bottomline more than that. So particularly talking about FY22 in first 9 months the bottomline has grown by almost 32%. So do we see a higher than topline growth in FY22, so if I say a 10% is topline growth, the bottomline growth on a higher base would be maybe 12%-13%?



- Mithun Chand:** If you take out the PAT levels, the other income is also included in that, that there is it shows like 30%. But if you take out the other income, it is in and around 20% growth of bottomline. Still for the next year also we go with the same variance of 10%-15% for the topline and 15% to 20% for the bottomline.
- Moderator:** Thank you. We will move on to the next question, that is from the line of Anurag Jain from Green Lantern Capital. Please go ahead.
- Anurag Jain:** So one of the questions was on export market which you briefly touched. Any sense how big this opportunity can be over 4 years-5 years?
- Mithun Chand:** Right now, we are doing close to Rs. 20 crore of revenue in exports. Going forward it can be definitely like close to Rs.100 crore in the next 5 years as the industry itself is growing and most of the countries are opting for Indian seed. So definitely we might go into those levels but see those are our plans which are a bit aggressive but looks like we can achieve it.
- Anurag Jain:** Fair enough. Similarly, on vegetable market, what is your sense, how much market share can we gain in 4 years-5 years' time. So you said it is a 3000 per market 20% growth, what is the size possible?
- Mithun Chand:** To start the year, we said that we want to be Rs.100 crore revenue in the next 5 years' time. But if you see the current revenue compared to previous year, we were almost like Rs. 30 crore compared to last year's Rs. 23 crore figure and if you compare quarter-on-quarter basis like till 9 months we were like Rs. 14 crore in vegetables for the first 9 months whereas we are close to Rs. 30 crore in the first 9 months. So we will be growing much better than what we said that, like we said that like 30%-35% vegetable but we are almost like grown by say almost 100% this year, for the first 9 months. Year-on-year, it should be like 70%-80% growth than compared to previous years. So vegetables they are pretty sure that as we have given a guidance of 100 crore in the next 5 years, it looks pretty much achievable by the growth what we have achieved this year.
- Anurag Jain:** One question on export market, I forgot to ask. How is the profitability there versus the domestic markets?
- Mithun Chand:** Right now, it is slightly lower than what we realize in domestic market. But you know that it is the initial stages of the marketing part of it, the costs are bit higher. But going forward, we can definitely have better margins than the domestic one.
- Anurag Jain:** Now that we are having new products like vegetables, millets etc. and exports as well. So is it possible that over a period of time, the seasonality of the business goes down rather than two quarters being most prominent, some normalization can happen, is it possible or it will remain there?
- Mithun Chand:** That we don't see a huge shift in that because most of the crops where we operate like cotton, like more than 95% of the cotton comes in the first quarter itself and rice and maize both comes in the first quarter, majority of that. So, I think as we are growing in those segments also, there may not be quantum shift in that, but definitely in terms of the absolute revenues quarter-on-quarter you will definitely see increase in the absolute revenues.



- Moderator:** Thank you. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.
- Sarvesh Gupta:** I had just two questions. One is if there is any update on the income tax related issues which you have covered in some of the new stories earlier. So on that, are there some work which is being done by the Income Tax Department in terms of, because we are not paying any taxes. So any update or any sense on that particular issue if you can give me?
- Mithun Chand:** Till date we don't have any dispute regarding the agricultural income. We have not received any communication from the Income Tax Department regarding the agricultural income as such. Apart from that if we receive any communication from any of the department, definitely we will let you know that.
- Sarvesh Gupta:** Because you are doing it in the sense of contract farming, so has there been any, I mean I could not understand whether this should be taxable or not taxable. So have you got a good sense on what is the issue that they might be wanting to probe?
- Mithun Chand:** So that I don't have much idea about that. In terms of the income filing, we are doing it from the last 13 years. Most of the assessments are already done. So if they raise any issue regarding that, definitely we will let you know as we receive the communication, because we can't anticipate what their question might be.
- Sarvesh Gupta:** Understood. And secondly on the cash on the books, now again we have like Rs. 400-500 crore cash which is higher than what we want to carry in the steady state as you have guided. So also, in terms of our buyback, I think one year duration has also lapsed in mid-January. So how are we thinking about buybacks or distribution of this cash to the shareholders going forward?
- Mithun Chand:** I have already answered this question earlier. Anyhow I will again repeat the same thing. As we said that it just completed the one year now. Our intention is to reward the shareholders. Going forward that our intentions remain intact and definitely based on the board meeting revision, we will take the appropriate decision going forward.
- Moderator:** Thank you. The next question is from the line of Sumant Kumar from Motilal Oswal. Please go ahead.
- Sumant Kumar:** My question regarding cotton segment. So we have seen, in FY15 we reached 8.6 million packet after tax, we are still far below that number and with the increase in the cotton prices currently and acreages likely to increase, so from a 7 million packet or 7.1 to 7.2 million packet, can we expect in next year it would be not similar but we are reaching to that level and whatever market share we lost in AP and Telangana we are going to increase again that market share?
- Mithun Chand:** Regarding cotton, we have told that the guidance will be like 5%-10% for next year also by seeing the condition, we don't see the cotton acreages going up and the 5%-10% will come from the areas, Northern Indian and Central India where they are getting market shares. So that should contribute for our growth.



Sumant Kumar: And when talking about that, you lost market share in couple of key markets. So can you talk about what are the plans we have, what are the strategy to gain that market share?

Mithun Chand: Basically, we cut down our dealer discounts in these markets, that is the reason we are not able to increase our market shares. But otherwise it will all look stable that we may not change aggressively in terms of this approach going forward also.

Sumant Kumar: And talking about the overall cotton seeds and non-cotton, what are the EBITDA differential, roughly?

Mithun Chand: Non-cotton crops are more profitable than cotton crops. Non-cotton crops are like upward of 30 plus percent, cotton is below 20%.

Moderator: Thank you. The next question is from the line of Nitin Awasthi from East India Securities. Please go ahead.

Nitin Awasthi: This question on two segments. One was specifically on cotton segment but not in India to the country we were exporting specifically in terms of Bangladesh because an Indian company has been tied up in news for exporting a lot of cotton seeds for the trial and to Bangladesh. So are we also there in the race and how far are we?

Mithun Chand: No, we are not exporting any cotton to any other country and we have a tie up with Monsanto. So our licenses are restricted to India itself. So we have not tried or tested anything in cotton in Bangladesh.

Nitin Awasthi: And sir, second question was on the vegetable front. Once we did our checks and anybody who does a study, they will realize that vegetable segment is very different from every other segment. The sheer number of companies involved and products which are there in this segment. So is there an approach where the company is looking at developing every product or looking at acquisitions, given that there are so many companies in the space and so many products?

Mithun Chand: Vegetable is a different set of business. We are there in vegetable for last 15 years, but we are not able to make any dent in that. So we have made a strategy for doing that. We invested heavily in vegetables in last 10-12 years and we are getting new products in that and we have specific crops where we are targeting initially based on the market shares. So that is yielding us now.

Nitin Awasthi: One of the crops is okra if I believe?

Mithun Chand: Okra, tomatoes and hot pepper are the three main crops what we are targeting at.

Moderator: Thank you. The next question is from the line of Tarang Agrawal from Old Bridge Capital. Please go ahead.

Tarang Agrawal: Overall volumes in the cotton market, how have they grown?

Mithun Chand: Cotton has remained stable. They have not grown much at an industry level, but at a company level we are just down by 1 odd percent.



- Tarang Agrawal:** And just to circle back to your earlier comment, you suggested that mainly the loss in market share in South was on account of maybe you are not extending credit and majority of it was probably made up by the gains in other geographies?
- Mithun Chand:** We have gained in states like Gujarat, Haryana and even Maharashtra in terms of the market shares. But if you see in Telangana if you see the cotton acreages even though it remains stable, most of the Central and Northern states were down in terms of cotton only Telangana went up by more than 10% to 15% because of the Government push and they have not participated in those markets. That is the reason we have lost market share. Otherwise in the normal scenario, we are good in terms of the volumes. We have retained our volumes and we have gained in other parts.
- Moderator:** Thank you. The next question is from the line of Abhijit Akella from IIFL Securities. Please go ahead.
- Abhijit Akella:** Just couple of queries. One on vegetables, it seems like this year we are on track for almost Rs. 40 crore sales for the full year based on Rs. 30 crore done in three months. Now FY22 and we are doubling basically year-on-year. So can we expect similar kind of growth rate next year as well, I mean hitting say Rs. 70-80 crore next year?
- Mithun Chand:** So it was a small base, 23 is a small base compared to 40, but definitely our plans are very aggressive and our products are acceptable in the market, definitely we see that 40%-50% growth in vegetables with that base also.
- Abhijit Akella:** And on the millet size, the presentation states that you are launching some new products in millet. So could you talk a little bit about the market size over there and what is the growth potential for us? Currently I believe Bajra is only 2% of our sales. So where do we see it going in the next 2 years?
- Mithun Chand:** Bajra is a very interesting crop, the country as a whole is not growing much. But in terms of the profitability, it is one of the best profitable crops, high margin crop. So in that we have started investing in bajra for the last couple of years, we were leaders in bajra earlier then we lost some market shares in bajra. But in the last 6-7 years, we have started investing heavily and now we are getting new products which we had launched one, I mean it is a tested one and the product performance and the pipeline hybrid also looks good. But going forward, bajra can be just like a 7%-8% of our revenue going forward and that is a good profitable crop.
- Abhijit Akella:** Just like a 5-year road map you are looking at?
- Mithun Chand:** Yes.
- Abhijit Akella:** And lastly on the cotton side, are there any regulatory risks that one should worry about for the next year. I read some reports that Maharashtra government is talking about holding seed companies responsible for seed performance in the event of bollworm attack or something like that. Is there anything to worry about in the cotton side?
- Mithun Chand:** No. They were saying for many years but in terms of the technology, it is not provided by the Indian companies, it is provided by foreign company. For that



government itself regulates the price and the royalty for it. So I don't think it is legally difficult for anyone to blame seed company for that. We have never claimed that we have developed that seed. I mean this is the trait.

Moderator: Thank you. The next question is from the line of Deepak Kohle from B&K Securities. Please go ahead.

Deepak Kohle: Sir, as you have mentioned that the sales outlook for 22 is 10% to 15%. Sir, can you please share the cotton and non-cotton growth expectation for the coming year?

Mithun Chand: We said that cotton should be in between 5% to 10% and non-cotton should be between 15% to 20%.

Deepak Kohl0065: And sir, you have already given the explanation that, why there was some market share loss in Andhra and Telangana. But sir, do you see the scenario to improve in the upcoming Kharif season for the cotton?

Mithun Chand: See, in terms of the market share it may slightly, in terms of the volumes remain same in Andhra and Telangana, but in terms of the market share, it may slightly go up because this time the acreages have gone up heavily in Telangana. But next time we see maize coming up here. So in that scenario and our strategy regarding giving credit to the dealers, we are not that aggressive enough, that approach as of now. So it should remain like what we had here.

Moderator: Thank you. The next question is from the line of Rohit Nagraj from Sunidhi Securities. Please go ahead.

Rohit Nagraj: Just one question on the other operating expenses. So for first 9 months those have gone down by about 23% that was particularly because in the Q1 the other expenditure had gone down because of COVID issue. So for FY22, would the base of FY20 will remain in terms of other expenses or will it go up? Thank you.

Mithun Chand: It should remain slightly, it should remain in the same base, even in the COVID conditions we were working, all our plants are working and most of the expenses are incurred. When you compare to previous year to this year other income, other expenses, the royalty portion was included in the other expense, that is the reason the last year it was higher base. So with the current base, we can calculate for next year. There may not be a major change in that.

Moderator: Thank you. The next question is from the line of Rohan Modi from Rohan Advisory. Please go ahead.

Rohan Modi: We have done the buyback in tender offer last 3-4 years. So if we can do the buyback in open market by buying from current price, we can save the Rs. 40-50 crore in income tax?

Mithun Chand: Basically, it does not make any difference for the company as such because it might be an open market, or it might be a tender process. Company needs to pay the 20% income tax.



Rohan Modi: But the income tax price is based on your share price bucket. So if you purchase buyback at Rs. 700, then we have to pay

Mithun Chand: It all depends on the outflow. I am just talking about the outflow. On the outflow, it is 20% irrespective of market buyback or tender.

Rohan Modi: But if we buyback from open market, then the share price is currently around Rs. 500 – Rs. 550? So we can save the money on income tax or we can buyback more.

Mithun Chand: Definitely, we will consider your suggestion. Again, that is subject to board decision.

Moderator: Thank you. The next question is from the line of Tarang Agrawal from Old Bridge Capital. Please go ahead.

Tarang Agrawal: Just a follow-up from my earlier line of questioning. So are you envisaging any benefits of your cotton cost curve going forward and just wanted to get a sense on the carryover inventory? Has it reduced or is it higher as compared to the last time?

Mithun Chand: It is in line with last year numbers. We are arriving that 2 million to 2.5 million packets to start with. We are with the same figure but end of the day if you take the fresh production and the last year left out, it will be in line with normal figures. And in terms of the profitability, yes, we are working on that GMS technology, production is yet to arrive this year, is arriving this year. So that sort of a slight benefit also will get this year.

Tarang Agrawal: But nothing in the lines of what we have actually seen in this year right over the last year because this year a lot of it had to do with royalty's free income?

Mithun Chand: Yes.

Moderator: Thank you. The next question is from the line of Bhavesh Jain from ITI Mutual Fund. Please go ahead.

Bhavesh Jain: Sir, just one clarification on this other expenses. Quarter-on-quarter, it has gone up by Rs. 8.5 crore. So entirely led by promotional activity?

Mithun Chand: Basically, it is like promotional activities.

Bhavesh Jain: And what will be the write-off, any inventory write-off in this particular quarter?

Mithun Chand: Inventory write-off is a routine process and the number what we have shown here is including the inventory write-offs.

Moderator: Thank you. Ladies and gentlemen, we will be taking the last question that is from the line of Shanti Patel from Shanti Patel Investment Advisors. Please go ahead.

- Shanti Patel:** Next year that means March 21-22 year, our PAT margin will remain more or less constant as today and secondly, what will be the return on capital and return on equity?
- Mithun Chand:** So regarding the PAT percentage as we explained like on a year-on-year basis, it should go up by 15-20% compared to this year as a base. Regarding the return on capital and return on equity, that is there in the presentation. Right now, I do not have that figure, but it is there in the presentation what we have uploaded to the exchanges.
- Shanti Patel:** Not now, next for next year. I am talking about the next year. After one year, what will be approximately return on capital?
- Mithun Chand:** It will be in line with what this year it is because as we are distributing, majority of the profit earned to the investors, it should be in line with it.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Mithun Chand for his closing comments.
- Mithun Chand:** It has been a pleasure interacting with you 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 Relations desk. Thank you.
- Moderator:** Thank you. Ladies and gentlemen on behalf of Kaveri Seeds, that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.