

10th December 2021

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National Stock Exchange of India Ltd.
Exchange Plaza, 5th Floor,
Plot No.C/1, G Block,
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MUMBAI - 400 0051

Scrip Code: 532899

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Dear Sir/ Madam,

**Sub: Transcript - Kaveri Seed Q2 & FY 2021-22 Results Conference
Call on Monday, 15th November, 2021 - Reg.,**

Please find attached herewith Transcript of Kaveri Seed Company Limited Q2 & FY 2021-22 Results Conference Call made on Monday, 15th November, 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
ACS - 3566



Encls: a/a.



Kaveri Seed Company Limited

Q2 & H1 FY22 Earnings Conference Call Transcript

November 15, 2021

Moderator: Ladies and gentlemen, good day and welcome to Kaveri Seed Company Limited Q2 and H1 FY22 Earnings Conference Call. As a reminder, all participants' lines will be in the listen only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rishab Barar from CDR India. Thank you and over to you, sir.

Rishab Barar: Thank you. Good day, everyone. And thank you for joining us on the Kaveri Seed Company Limited's Q2 & H1 FY22 earnings 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 that 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 sir.



Mithun Chand:

Thank you, Rishab. Good day everyone and a warm welcome to Kaveri Seed Company Limited's Q2 & H1 FY22 results conference call. I hope that all of you are safe and healthy among this pandemic. I will touch upon our financial performance for the quarter under review, post which I will go through the half yearly numbers.

During the quarter under review, net sales stood at Rs. 147.56 crore as against Rs. 134.02 crore in Q2 FY21, an increase of 10.11%. EBITDA stood at Rs. 21.56 crore for Q2 FY22 versus Rs. 27.12 crore in Q2 FY21. PAT stood at Rs. 12.83 crore versus Rs. 23.40 crore in Q2 FY21.

During the half year under review, net sales were at Rs. 777.34 crore against Rs. 853.5 crore in H1 FY21. EBITDA stood at Rs. 236.27 crore for H1 FY22 versus Rs. 337.58 crore in H1 FY21. PAT stood at Rs. 217.57 crore versus Rs. 319.82 crore in H1 FY21.

The board of directors have approved the payment of interim dividend at 200% that is Rs. 4 per equity shares of Rs. 2 each on the profits of the company for FY2021-22 on the equity share capital of the company. This translates to a total cash flow of Rs. 23.39 crore.

Total cash on books as on September 30, 2021, remains at Rs. 374 crore. Moving on to our business highlights. Cotton continues to face significant challenges. HTBT or illegal cotton occupied about 18% to 20% of the cotton area. So, it is impacting overall branded seed market.

Lower incidence of pink bollworm, however offered some relief and resulted in good quality cotton. Maize acreages have seen a good improvement in AP, Telangana and Karnataka states where Kaveri enjoys a high market value. We also registered a strong growth in rice. Continuous rainfall in Q2 across all major states hurt vegetable sowing impacting vegetable seed business significantly across industry.

Coming to crop by performance:

In H1 FY22 volumes were down by about 24.62% and revenue by 26.53%. We gained cotton seed market share in Gujarat and Haryana and lost in AP Telangana and Karnataka and Maharashtra. Non-cotton business is up 11.49%. Revenue



growth is driven by volumes growth in new products in Hybrid Rice and Selection rice and price increase in key lead hybrids across crops. Maize volumes have decreased by 30% and revenue by around 19%.

Strong improvement in contribution from new products has come up from 40 metric tons to 500 metric tons year-on-year. KMH 8322 and KMH 8333 are the two peak contributors to the performance. Contribution of new products has gone up significantly from 8.85% to 23.59%.

Hybrid rice revenue grew by 44.35% in H1 FY22. Selections rice revenue grew by 15.6% in H1 FY22. Revenue grew by 15.6% in H1 FY22. Our endeavor will be to continue to grow our non-cotton business in line with this we continue to strengthen our R&D and infrastructure to deliver quality and value to the farmer.

Our R&D spends are visible in the form of several new products in rice, maize and vegetables. Concurrently we continue to explore viable organic and inorganic opportunities and will return excess cash to shareholders. We are happy with our performance during the quarter keeping in mind the challenging macro environment.

We look forward to improving performance going forward. Now we will open the floor for the question answers.

Moderator:

Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from line of net Nitin Awasthi from InCred Equities. Please go ahead.

Nitin Awasthi:

My first question was regarding the new scheme, which is being followed for approval of GMO crops in India. So, what we are given to understand is that now a particular state government needs to approve the GM crop before the GEAC approves it or considers it. So, could you just shed some light on this? How does this scheme work? And have we applied to almost all the states with all our crops? Or how are we going about it?

Mithun Chand:

So, as of now we have GMO approved only in cotton and two in VG 2. So, most of the Hybrid which we are selling are approved and with no more further permissions are required to take from the state governments. Yes, when coming down with the



new technology it is not yet finalized yet. Once it is finalized, then we need to follow the procedures given by the government, but it is too early to comment upon it.

Nitin Awasthi: Because news articles have been pointing out that Rallis has already applied for BT corn and BT cotton in Karnataka. That is why I asked this question?

Mithun Chand: BT corn is not approved by government at all. That is an edible crop and it needs to do central government discretion. So, nothing is approved yet as of now.

Nitin Awasthi: Okay, so noted. And we had even in the last con call stated that we are looking out for acquisitions, and during the last quarter there was actually Baer sold off its seed portfolio to Crystal Crop. Was that an acquisition we were eyeing? And if that was the one, we were eyeing then are there no major portfolios for sale out there or are they still what you call portfolios for sale out there and we still are assign to eye and get them?

Mithun Chand: So, we are trying different options in that. That is not the only way to grow. We said that we are exploring the options. We are not finalized yet. We are open for it. That is what I meant to say.

Nitin Awasthi: Sir, last question from my side. How much of the maize business comes from the government side and how much of it did not come through during this quarter?

Mithun Chand: The business what we lost now, a majority volumes what we lost that is 25% to 30% of the revenue, so basically revenue from the government volume only. Otherwise in the trade business what we call what we sell directly to the farmers or through distributors, we increased our market share in most of the states.

Nitin Awasthi: Which state government was this business lost from?

Mithun Chand: Basically, in the central and northern India, Madhya Pradesh, Maharashtra, and Rajasthan. These are the state governments. Some parts in Chhattisgarh also. These are the governments where we usually get the bulk sale from subsidy in the kharif part. That we could not get this year because of the pandemic as the government could not call for any tenders.

Moderator: Thank you. Our next question is from the line of Abhijit Akella from IIFL Securities. Please go ahead.



Abhijit Akella: Just on that maize question again. So, could you just help us understand how much was the government tender business in totality, say last year, you know, maybe FY21 overall or H1 of FY21? And what has it fallen to this year? And what should we expect going forward? You know, should we assume that there are no government tenders that come in the future and, you know, maize or any other crops?

Mithun Chand: Basically, if you see most of these states even when we sell maize in Karnataka and Andhra to some extent, are through government bodies itself. But we do not have direct subsidy from the government. We get a very minimum subsidy that is Rs. 5 or Rs. 10 a kg from the government that we do not consider major subsidy and we directly sell it to the farmer. Whereas the states of MP, Maharashtra, Rajasthan and some parts of central and northern India they call for a one time tender to supply it. And usually that tender we get in the month of June to August. Basically, that is for the first quarter sale. First and some fillers in the second quarter. That business we could not get it. Overall, that turned out to something close to 2,000 tons to 2,300 tons. The revenue what we lost that like 2,500 tons of sale in maize is basically from those tenders.

And usually, we would not bank on those tenders because there is a lot of uncertainty in that. But whereas if you see the trade business which we do in Maharashtra, which we do in Andhra, Karnataka and second half of the business are basically through trade. And we are gaining market shares in that.

Abhijit Akella: Okay, so just to clarify, last year, we had 8,500 tons of maize sales in the first half. This year we have 5,900 tons. So, the decline is about 2,500 odd tons. All of that is basically the government?

Mithun Chand: Majority of it. More than 2,000 tons, 2,200 tons is from subsidy sales. And some 200 tons to 300 tons is across states and basically the second half that is from Tamil Nadu. Tamil Nadu the sales are down. Tamil Nadu is a very small portion.

Abhijit Akella: Okay, so point number one now in the second half, we should have an okay Rabi season for corn. I know acreages are not up and maybe farmers are preferring oil seeds over maize.



But question number one was how is the outlook for Rabi corn? And then number two, next year's kharif season this government tender business we should assume would not be there, right? So at least the base will be easy for next year's kharif?

Mithun Chand:

Yeah, you rightly said. This should be the base and every time this was the base what we are calculating and every time we do not consider this as a normal business.

There is a one-time business which we did but usually what we are getting the 2,000 tons, 2,500 tons is there for last six, seven years. Even though it is a onetime sale, but most of the governments, one or the other government give and we usually we were getting that 2,000 tons of sale. This time they could not call, and the entire 2,000 tons got almost zero sales.

But if you take the second half of the Rabi, even though there is an inclination towards the oil seed, maize prices are slightly better than last year and the last year base was very small because in second half of last year the entire Bihar was down. But by continuing a second base definitely we should do better than second half of this year in terms of maize.

Abhijit Akella:

Sorry just one last thing on this maize point. One is, is the margin on the government tender business lower than your retail margin? And number two, is this year's absence of government tenders because of COVID and therefore next year once COVID impact goes away, we can expect some tenders to come back?

Mithun Chand:

Yeah definitely. Usually, they were supposed to take out the tenders and they just delayed the process, and the season got delayed. Usually, they encourage maize acreages in this area. And the maize acreages have also significantly down because of the non-calling of tenders by the government. But I think we cannot guarantee but most probability is that the tender business should come back.

But as a calculation purpose is always better to take the base of this year as a normal base which is a guaranteed sale which can actually see plus, or minus of the sale based on the trade.

Abhijit Akella:

And the margin on that?



Mithun Chand: Margins are slightly down when compared to the normal trade but when we sell the seed all the other expenses been send, we get a better margin in that. But if you calculate on only that volume based tender business, the volumes are much lower.

And even this year, we had a high return sale. Even in the first quarter and the second quarter because most of the stock we could not sell it and even the tender business has the strong pre-sale in the other parts of India even that got returned back and we had a huge inventory write off also. That is also included in dividends. And that is what we mentioned in the first quarter also.

Abhijit Akella: Just one last thing and I will get back in the queue. When the subsidiary company revenue seems to be up quite significantly this quarter. The way I arrive at it is by doing consolidated minus standalone. So, you know, any reasons for that specifically?

Mithun Chand: See this time most of the cotton seed more in the unbranded segment being that an unbranded segment, the sale was there. But if you see the margins are lower. Basically, in subsidiaries we sell cotton. Cotton is a major component in subsidiaries.

Moderator: Thank you. Our next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: Sir, I was asking that earlier we were also had some plans on HTBT varieties. So, do you have any product in that segment?

Mithun Chand: Your voice is breaking Sarvesh, but anyhow, I got some of your question. We were never there in HTBT Because it is not approved by the government. It is for the illegal BT. If I recollect what we said that if the government approves HTBT, we will be also in line for offline, but as of now, it is not officially approved, and we are not there in HTBT. We never sold HTBT in our history.

Sarvesh Gupta: So, but do you see this trend that sort of, you know, on illegal cotton etcetera, you know, normalizing next year because of the COVID we got impacted this year? So, do you have any sense of how things should play out in the coming years?

Mithun Chand:

Usually, the HTBT popularity is picking up but this year, most of the HTBT has affected a lot in terms of the performance. The performance was very minimal, and the farmer got affected large. So, what we see is that what the industry feels is that the HTBT will not move in the way how it moved in the last time, but still we need to see for next three months and then arrive at a conclusion. Because we still are at the harvesting stage.

Sarvesh Gupta:

And sir, any thoughts on like maize products has it really grown at a very rapid pace even though it is at a small scale. In the last few years if we see their performance has not been of a very high growth. I mean, primarily your non-cotton portfolio is growing because of rice. So, any thoughts on how that particular segment can perform because you always give a guidance about non-cotton performance, but that is basically Hybrid rice. But, you know, our performance in maize has not been that of high growth and other segments are still very small. So, when we say non-cotton, it becomes basically just the hybrid, rice more or less. So, how do we see growth in that side? And what steps do we need to take to sort of increase the growth rate in that particular segment?

Mithun Chand:

Rightly pointed out, maize is not growing as much in what we have anticipated in the last five, six years, it remains stable, or in the sideways of 5% to 10% plus or minus based on the rainfall and the other commodity prices. But if you see maize outlook for on a long-term basis as the government is also proposing for the ethanol plants which require maize as a major input like what we see and the maize prices stabilizing now. What we see is that maize have got a very good future going forward and it will definitely grow in the coming years and the industry feels the maize can grow at more than 10% to 12% as an average for the next 5 to 10 years on a long-term basis, leaving apart a year and there. But we see a good future for maize. In the non-cotton segment not only maize all the crops are growing. Rice is growing, maize will grow, vegetable crops which is a major contributor, which has grown in a good comparison with our base even we see a good growth in vegetables.

We are trying to add some more oil seeds also for us not in this year, but I am talking about 5-to-10-year view. These are the crops which will definitely fuel the growth going forward and what we are stated earlier non-cotton segment will definitely grow at a much faster pace than the cotton. And if you see our guidance,



if you go back to 3-4 years back we were saying that our non-cotton portfolio will be more than 60% of that which we have achieved right now. And still going forward non-cotton will contribute at a much faster pace than cotton, even at this base.

Sarvesh Gupta: And any guidance for the cotton portfolio for next year given the rapid increase in the price of cotton that we have seen as well as Covid effect of this year?

Mithun Chand: This year, we have seen a huge rise in the commodity price of cotton and the output is low when compared to the previous year. As I indicated earlier, the performance was not that good with the HTBT hybrids and even with the erratic monsoon.

So, what we see the initial feel is like the cotton acreages will go up next year. But anyhow, as I said this will take other two or three months to get a clear view on it. But right now, the positivity is for the cotton. And even the maize prices are trading at Rs. 17 to Rs. 18 which is a good price for the farmer. And all the vegetable prices are also up.

So, most of the crops are good with the present prices but down the line in the month of the next I mean to say in the next con call for the next quarter result we will have some sort of a fair bit of idea how the acreages might move for the next few quarters.

Moderator: Thank you. We will take our next question from line of Sumant Kumar from Motilal Oswal. Please go ahead.

Sumant Kumar: So, my question is related, we are seeing that textile industry is growing at a faster pace and we need a higher cotton, post the Xinjiang ban and still we are struggling inside. The cotton is still stagnated. So, what are the challenges overall cotton sheets industry is facing to take approval of VG3 and other cotton seeds what we are working? So, India cotton production is likely to increase from here?

Mithun Chand: Basically two points in this. One is the overall acreages in India and second is the introduction of the new technology in cotton. Coming to the first point. In India, the cotton acreages were coming down in the last five, six years on a year-on-year basis, because the cotton prices remained slightly downside or the yields of the cotton was not that attractive because of the things going on.



This year, the prices are up the quality of the cotton is good, but the yields are very low. And as of now the farmer's inclination towards cotton might go up and some states were given Telangana now promoting cotton for the next year, because they are discouraging rice. So, that gives us some sort of positivity for the cotton crop. And the other point is regarding the technology. Technology takes time because the central government need to approve it. And after approving it takes at least two to three years to get into the market. Minimum time is two to three years, but it will take much more time. So, technology we may not touched upon now, because we cannot say when it will be approved. Once it gets approved, then we can talk about the technology but in the short-term basis in a year or two cotton looks good as of now. But anyhow, we will get to know clear clarity in the next call.

Sumant Kumar: But what is the issue because the overall HTBT and illegal cotton has already reached 18%, 20%. And if the government is not going to allow it might have a higher market share also and seeds industry is going to lose?

Mithun Chand: Yeah, that is what I have explained earlier.

Sumant Kumar: But what all the companies like you are doing and approaching the government because it is going to hurt the overall farmer economics also, if you are buying illegal seeds, there is not the quality seeds, the yield is going to decline, and we need the higher cotton going forward. If the government is promoting higher textile export. So, we need to rectify this issue. So, have you talked to the government? Is the industry association is talking to the government?

Mithun Chand: It is a continuous effort what we are doing for the last five, seven years, minimum of five, seven years. After the introduction of second BG2, we are continuously following up with the government and government is also watching very closely.

There are many other related issues with this kind of a quarter and giving the technology which government is looking into and they are working a model for that. And most of the technology providers and as the industry both are representing government and even the government bodies working with the seed industry and the technology providers to get for the solution. But we are awaiting for that. Once we get a solution, definitely we will let you know.

Sumant Kumar: Is the royalty is a major issue?



Mithun Chand: Now the royalty is zero now.

Sumant Kumar: No, I am talking about for the new technology is royalty is an issue?

Mithun Chand: Royalty might be one part, but it is not a major issue. But there are other issues which related to technology and the biodiversity.

Moderator: Thank you. We will take our next question from the line of Varun Bang from Reliance Payments. Please go ahead.

Varun Bang: Sir, we have seen significant drop in revenue share from new products in cotton segment. And this year, we understand this is because of the HTBT issue, but structurally how are we looking to create stickiness around some of these products which are supposedly better and what is the long-term potential there?

Mithun Chand: So, definitely if the cotton acreages are going to improve in the branded seeds. These are the new products which will take the market share, but this year as we said because of the HTBT going up and the COVID condition and not a good sentiment for the cotton crop has resulted in downfall of some products. But if you see longer term if these all stabilizes definitely these are the products which we are going to market going forward. It is a temporary basis and we do not see it as a serious or a major concerning issue in terms of the cotton growth.

Varun Bang: But how are we looking to create farmer's stickiness around these products? What is the strategy?

Mithun Chand: Basically, in terms of I mean to say the product need to perform then only the farmer will pick up and if the products are really doing well and it has performed well in the previous years also. So, this is the only year where we are lost market share not because of the performance because of the other issues. That is the reason I said we are pretty confident that these are the products going forward will definitely have good growth continuing in the coming years.

Varun Bang: And in maize and rice segment also, I mean, some of the new launches are doing extremely well. So, do you think this, you know, revenue share from these new launches we will maintain the growth what we are maintaining for last one, two years, do you think we will be able to maintain that?

Mithun Chand: The products which are doing well definitely will be the sales revenue will definitely go up in those areas. Apart from there is also the many hybrids which are in the pipeline, which are in the initial stages. So, we have got very good pipeline in most of the crops, that will definitely result in good revenue coming forward. Not only in maize and rice, even in vegetables and bajra we are doing extremely well in terms of the pipeline.

Moderator: Thank you. Our next question is from the line of Anurag Jain, a shareholder. Please go ahead.

Anurag Jain: My first question is how much of the buyback expenses have been booked in the second quarter?

Mithun Chand: I just need to check that one out. But majority of that was completed in the quarter one and two or three lakh shares got completed in the first week or second week of October. That we have already intimated to the exchanges, the amount of share what we bought in on a daily basis.

Anurag Jain: My question was like, the other expenses have gone up significantly. So, they would have a onetime element of buyback expenses. So, how much was that figuring of buyback expenses in the other expenses?

Mithun Chand: I do not think buyback expenses come into other expenses. That is a different thing.

Anurag Jain: Okay. And my second question was, like, I am sorry, you know, disappointed being asked again and again. The illegal HTBT cotton. Do we know how does the economics for the illegal HTBT cotton workout for the farmer? Like what is the difference in the seed cost? What is the difference in other expenses for the farmer? And what is the difference in the yield? Do we know this, or we will know that only after when the harvest is complete?

Mithun Chand: So, one thing, the difference in the seed cost because we are basically into the seed business. The difference in the seed what we sell, or the branded company sell and the HTBT, per packet, it only varies between Rs. 150 to Rs. 100, it is not more than that. So that is not a major cost for the farmer. But what we need to see is that the quality of the Hybrid because technology is not the only one which give



the aid. It only protects the yield. The Hybrid needs to have a potential to give yield. So, if you see this year Hybrid, most of the hybrids are lagging in terms of the productivity. So, that is the reason the yields are lower.

Now the farmer is understanding that. But as I said, we need to wait for another three or four months to see at least the initial view about the HTBT coming forward. But as of now, it does not look great at this point of time for the HTBT for the next year.

Anurag Jain: And sir when you say the difference is Rs. 150 to Rs. 200, how much does this translate in percentage terms?

Mithun Chand: So, the seed cost is like Rs. 750 a packet, budgeted Rs. 500 and Rs. 550. So, in terms that is a 20% but on a whole base. As a farmer he spends more than Rs. 15,000 to Rs. 20,000 per acre. And spending Rs. 1,200 for a good seed does not matter much. In terms of that percentage, it is negligible, 0.5% on the total cost.

Moderator: Thank you. Our next question is from the line of Nishith Shah from Aequis Capital Investment. Please go ahead.

Nishith Shah: Sir, I want to understand what is our R&D spend target for the year, and for next year as well?

Mithun Chand: See year-on-year, we are increasing by more than 20%, 25% on the absolute terms in R&D. So that will continue for a couple of years because we had many people in R&D. And there are many new Hybrids, many new technologies which we are adding because we have added biotechnology lab last year. Now we are setting up a new R&D plant. So, if you see that percentage wise it should be on a year-on-year basis, it should be more than 40%, 50% now for the next two to three years.

Nishith Shah: In absolute term, what is our target for this year?

Mithun Chand: That depends because we are constructing our R&D plant based on the completion of that we need to see. For the new R&D plant, what we are constructing it is funding of Rs. 35 crore to Rs. 40 crore. But that will be spread over a span of one



year, one-and-a-half years' time. Some will come in this year, and some will come in next year.

Nishith Shah: Okay. And sir, in terms of crops for this R&D, what are we targeting for next three, five years?

Mithun Chand: Basically, the crop what we have now, and apart from that we are concentrating on the oil seed, basically mustard, and we are working on soya also now. Apart from that, we are strengthening our existing portfolio basically in terms of vegetables, rice, sunflower, bajra and other crop what we deal with. Apart from that, we are trying to say that we are adding new crops in terms of the oil seeds.

Moderator: Thank you. Our next question is from the line of Ghanshyam Gupta, an individual investor. Please go ahead.

Ghanshyam Gupta: My question is relating to the impact of bad debt in the profitability. How much provision has been made for the bad debt? What is the amount?

Mithun Chand: So, the bad debt what we have given in first quarter not much have been added in the second quarter. In fact, we got Rs. 2 crore or Rs. 3 crore from what we have provided in the previous years.

Ghanshyam Gupta: And my second question is as of today whether the entire provision has been made?

Mithun Chand: Yeah, the provision has been made as on today. And as a company policy anything more than two years, it will automatically come down to be, as per the provision, bad debts. So, that is what I am saying compared to previous quarter this quarter there is an addition. I mean, to say there is a reduction in the bad debt. Some amount, some portion Rs. 2 crore or Rs. 3 crore of money we got towards this.

Moderator: Thank you. Our next question is from the line of Rohit Nagraj from Emkay Global. Please go ahead.

Rohit Nagraj: Sir, my first question is in terms of our Rabi portfolio. So, over the next five years, how do we look at expanding the portfolio because of the cotton concentration certainly we have been kharif driven, but maybe five years down the line do we



have a meaningful size of 2H revenues which will come. So, what will be the split of maybe H1 and H2 revenues, we are looking at from a consistency perspective?

Mithun Chand: In terms of the percentage, if we divide them for the first half and second half sale, it should remain in the same manner or slightly better from the compared position now. But it should be more or less looks the same because majority of the Indian crop comes in the kharif. It is not only cotton, but when you talk about rice, hybrid rice majority of the time 90% of the rice comes in the first half. And even maize kharif, the entire kharif is in maize. Bajra comes in the first half.

So, the percentage should remain same, it will not change significantly. But as an absolute terms' year-on-year, it will have a minimum of 15% to 20% variation on year-on-year basis. But as a percentage it should remain the same.

Rohit Nagraj: Sir, the second question in terms of the export market. So, I think we have been trying to explore the opportunity we have been feeding the market. How is the progress over there and any meaningful revenue contribution which will come in the next two, three years or we are looking for some kind of a positive green shoots for that particular area?

Mithun Chand: Basically, in terms of the exports, we could not show much of a difference in terms of the sale compared in the last two to three years because of many reasons. It might be COVID, or it might be some other government related issues in different countries.

But in terms of the performance, in terms of the prospect if you see, export is definitely an area where we are very much confident about, and we will be definitely doing it and even in the Indian government is also encouraging exports. Down the line export will definitely be a good contributor for the revenues.

Moderator: Thank you. Our next question is a follow up from the nine of Abhijit Akella from IIFL. Please go ahead.

Abhijit Akella: One is just, you know, could you just broadly give us what percent of EBITDA in 1H has come from cotton? Just so that to see you know, how low it has gone down?



Mithun Chand: I need to check that one but definitely lower than last year. Because not only in terms of the cotton, EBITDA remain same going compared to previous years in terms of the cotton. But revenue being low all the fixed expenses has impacted the EBITDAs of all crops that there is not yet impact.

Abhijit Akella: Would it be fair to conclude that maybe cotton EBITDA is in 15% of company EBITDA now this year?

Mithun Chand: Yeah, see as EBITDAs are lower in most of the crop. It is really EBITDA percentage as a whole is lower, definitely that will even drive the cotton EBITDAs also.

Abhijit Akella: Okay. And the second one was, you know, the illegal cotton seeds HTBT, those are being sold for a premium to what the branded seeds are sold for, right?

Mithun Chand: Not really. There are a few things, very few areas where they were not available, but otherwise it is much lower than the branded seeds.

Moderator: Thank you. Next question is a follow up from line of Anurag Jain, an individual shareholder. Please go ahead.

Anurag Jain: My question is relating to this year first half vis-a-vis the first half last year what is the difference in sales returns like difference in sales returns this year in first half vis-à-vis the first half of last year?

Mithun Chand: Last year, the sales returns were less than 15% or 17%. This year, it is close to 28% to 30%. Almost double the last year.

Anurag Jain: Decline in sales can be because of sales return?

Mithun Chand: Sales return and the other expenses being same that have impacted the EBITDA margins because the revenues are down by more than 15%, 20% compared to previous year and most of the cotton got returned from the market, maize got returned.

So, these are the two which have eaten away our margins and the write offs were also higher because once the seeds are returned to the factory, it loses its germination. Some seed loses its germination so usually we have higher the sales



return, higher the write-offs. Even that has impacted the EBITDA margins because of that that is already reflected in the cost.

Anurag Jain: And sir, my understanding is that cotton seed can be sold next year also, but the maize seed whatever is returned is destroyed or basically goes waste?

Mithun Chand: Yeah, majority you see in terms of the percentage of the wastages, majority of that we incur in maize and in non-cotton crops you can say. Even in paddy we lose, not Hybrid paddy but Research or the Selection paddy even that we lose once it come backs, but we will have a minimum loss in that. But majority of the loss will be in terms of the maize.

Moderator: Thank you. That was the last question. I would now like to hand the conference back to Mr. Mithun Chand for closing comments.

Mithun Chand: Thanks for your participation and for any further inquiries or questions, you can contact our investor desk. We will be happy to answer that. Thanks.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Kaveri Seed Company Limited that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

