

08<sup>th</sup> February 2024

**Bombay Stock Exchange Ltd.,**  
1<sup>st</sup> Floor New Trading Ring  
Rotimda Building  
P.J.Towers, Dalal Street, Fort,  
**MUMBAI - 400 001**  
**Scrip Code: 532899**

**National Stock Exchange of India Ltd.**  
Exchange Plaza, 5<sup>th</sup> Floor,  
Plot No.C/1, G Block,  
Bandra Kurla Complex, Bandra (E)  
**MUMBAI - 400 051**  
**Scrip Code: KSCL**

Dear Sir/ Madam,

**Sub: Transcript - Kaveri Seed Q3 & FY 2023-24 Results Conference Call on  
Monday, 05<sup>th</sup> February, 2024 - Reg.,**

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Please find attached herewith Transcript of Kaveri Seed Company Limited Q3 & FY 2023-24 Results Conference Call made on Monday, 05<sup>th</sup> February, 2024.

The transcript and audio is uploaded on the Company's website as well on below link:

<https://www.kaveriseeds.in/wp-content/uploads/2024/02/Kaveri-Seed-Conference-call-transcript.pdf>

This is for your information and records.

Thanking you,

Yours faithfully,

**For KAVERI SEED COMPANY LIMITED**

**SREELATHA VISHNUBHOTLA**  
**COMPANY SECRETARY**

Encl: a/a.





“Kaveri Seed Company Limited  
Q3 FY’24 Earnings Conference Call”  
February 05, 2024



**MANAGEMENT: MR. MITHUN CHAND –EXECUTIVE DIRECTOR –  
KAVERI SEED COMPANY LIMITED**

**MODERATOR: MR. RAMA NAIDU – INTELLECT PR**



**Moderator:**

Ladies and gentlemen, good day, and welcome to Kaveri Seed Company's Q3 and Nine Months FY24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. Joining us today on this call are Mr. Mithun Chand, Executive Director.

Before we begin, I would like to mention that some of the statements made in today's call may be forward-looking in nature and may involve risks and uncertainties. For a list of such considerations, please refer to the earnings presentation. I now hand the conference over to Mr. Mithun Chand. Thank you, and over to you, sir.

**Mithun Chand:**

Thank you. Good evening, and welcome, everyone, to our quarter three and nine months financial year '24 earnings conference call. We hope you have had a chance to review the presentation of our results, which is also available on our website. I will touch upon the operational and financial performance of the company and then open the floor for question-and-answer session.

Our revenue from operations was at Rs. 981.89 crore as compared to Rs. 939.93 crore, a very steady growth of 4.46%. EBITDA was at Rs. 321.13 crore, that's compared to Rs. 303.67 crore and increased by 5.75%. Net profit was at Rs. 290.22 crore as compared to Rs. 280.93 crore, a very steady growth of 3.3%. Cash on books stands at Rs. 587 crore as against Rs. 403 crore.

Our quarter three financial highlights. Revenue from operations was at Rs. 118.47 crore as compared to Rs. 123.49 crore, down by 4%. EBITDA was at Rs. 222.25 crore and net profit at Rs. 11.66 crore. As envisaged, maize and vegetables are growing in both volumes and revenues and the same trajectory will continue in the coming quarters too. Company continues to deliver good realizations in both cotton and

rice in spite of volumes remaining stable. Increasing trend of new products contribution in bajra and maize. Efforts in exports, yielding results and put the company on the fast track in international markets.

On a quarterly trend, other income was down by Rs. 19.14 crore and depreciation increased by Rs. 1.5 crore, and the rest all it remained flat. The higher other income in quarter three financial '23 was on account of redemptions done from investments made by the company for the implementation of early buyback done during the last financial year. As a part of our continuous endeavours to reward our investors, the company had announced a buyback of shares at Rs.725 up to Rs. 325 crore.

Operational highlights. Cotton volumes are stable, but revenue increased by 6.03%. The contribution of new products was up from 45% to 59.67% of volumes in bajra. Hybrid rice volumes are stable but revenue increased by 9.26%. Selection rice volumes are stable, but revenues increased by 8.16%. Maize, increase in maize revenue by 5.36%. Contribution of new products was up from 36.67% to 49.45% of volumes in maize. Vegetables seed sales volume increased by 22.13% and revenue increased by 24.4%. Revenue -- vegetable crops like bitter gourd, tomato, okra and watermelon had showed good performance. Contribution from exports to revenue has increased by 139%.

I will now open the floor for questions and answers.

**Moderator:** Thank you very much. We'll now begin the question and answer session. The first question is from the line of Siddhant Dand from Goodwill Securities. Please go ahead.

**Siddhant Dand:** So my first question was employee benefit expenses have really shot up this quarter, and it's our highest ever for any quarter. So any reason as - - any one-offs? Or is it a higher expense in general?



- Mithun Chand:** No, that is a continuous trend what we are seeing in the last five to six quarters, as we are increasing the headcount and that's reason the employee cost is going up.
- Siddhant Dand:** We can expect it to be around Rs. 3500 lakhs
- Mithun Chand:** Yes. Rs. 3500 lakhs.
- Siddhant Dand:** Okay. My second question is on a longer term three, five-year basis, how much can we expect our R&D expense as a percentage of sales to be because it has gone up over the years?
- Mithun Chand:** If you see in the last five years, we have spent close to Rs. 200 crore. Year-on-year basis, it's coming up to like 5% to 6% of our total revenue. So I think this will continue. And going forward, the trend will continue. Further, it may go up.
- Siddhant Dand:** Okay. Any views on new genetically modified seeds that can be allowed in the market by the government? And when can we expect that to happen?
- Mithun Chand:** As of now, we are not working on any genetically modified crops. Working in a sense, we are not developing any technology for that. We are dealing in cotton crop, which is only one crop which is genetically modified crop. But recently, they had an argument in the Supreme Court regarding the genetically modified mustard but the judgment is reserved. Based on the judgment, new technologies may come for it and the government is favouring for new technologies. So I think if that is clear, most of the technology is going to come to India.
- Siddhant Dand:** So how quickly can we ramp up in case of mustard or a maize or any crop that is allowed? Can we ramp it up...
- Mithun Chand:** The technology is already available outside of the country and the most of the trials are also done in India. So once it's approved, it may take three to four years to get introduced.



**Siddhant Dand:** My other question was, can we expect the promoters to participate in this buyback?

**Mithun Chand:** Yes. Our offer is that even the promoter will participate in the buyback, to what extent, that we'll decide later on.

**Siddhant Dand:** I just wanted to understand this accounting query. What is the difference between your CWIP and your biological assets because you have classified them as both in the current assets?

**Mithun Chand:** Biological assets are the crops, which are, I mean the standing crops which are there in the field. When we give it for the production, some stock will be there in the field, so that we call it a biological asset.

**Siddhant Dand:** Okay. And then the RM, CWIP and finished goods will be what assets?

**Mithun Chand:** That are which is already received, which we can physically see that.

**Moderator:** Thank you. Next question is from line of Yash from Dante Equity. Please go ahead.

**Yash:** Yes. If you have a retrospective tax on our contingent liabilities for the case that's going on, till what extent are we covered?

**Mithun Chand:** So what do you mean by that retrospective? We have one case, which is going on, which is already disclosed to the exchanges and we already mentioned in the annual report. That's the only thing, which we are having as of now. Any other thing of concern, we will definitely disclose

**Yash:** Yes. So what is the extent of liability if you lose the case?

**Mithun Chand:** So that we have given, like for one year financial year, the demand was like for Rs. 65 crore or Rs. 70 crore. I don't remember exactly, that we have already mentioned in the annual report.

**Yash:** Also, are you sticking with the growth guidance of 12% to 15% consolidated profit and the 12% to 15% consolidated profit growth, does that include the buyback EPS growth or not?

**Mithun Chand:** Yes, that's a long-term guidance what we had given. We are still go with the same thing.

**Moderator:** Next question is from the line of Sanjeev Zarbade from Dream Ladder Advisors. Please go ahead.

**Sanjeev:** It was regarding the Rs. 1 lakh crores allocation that the government has done regarding the agricultural sector and R&D. Do you stand to benefit from this initiative, sir?

**Mithun Chand:** Definitely. Anything in agriculture, we will definitely get benefited, may not be directly, but a lot of indirect benefits will be there. If you can give farmer subsidy or if you can provide some sort of an irrigation facility or some sort of logistics or to maintain processing anything in respect to agriculture, definitely that will help us indirectly. As the farm income goes up, definitely the farmers can afford good seeds.

**Moderator:** Thank you. Next question is from line of Dhruv from Flute Aura. Please go ahead.

**Dhruv:** I just wanted to understand by what time are we expecting the buyback?

**Mithun Chand:** So we have already given the postal ballot notice. The results are on February 8th. Once we get the shareholders' approval, after that it may take another one month's time. So most probably, it will complete by March 10<sup>th</sup>.

**Moderator:** The next question is from the line of Madhur Rathi from Counter Cyclical. Please go ahead.

**Madhur Rathi:** Thank you very much for the sixth consecutive buyback, which is the largest in our history. I want to thank you on behalf of all the shareholders for the buyback. Now sir, the concern is that, you are constantly mentioning that we hope to grow by 10%, 15% but in the nine months also, we grew by less than 4.5%, which is less than the rate of inflation. So till when do you think we can again come back to our growth path?

- Mithun Chand:** So given a growth of 10% to 12% as a long-term growth, still I'm very much confident that if you take the long-term rate that will match. But based on the seasonality, a year or two, we may lose it, but on a long-term basis, we'll grow in that fashion.
- Madhur Rathi:** Sir, also wanted to understand that what is our market share in cotton seeds in this financial year?
- Mithun Chand:** We have close to like 15% market share -- 14% to 15% market share for cotton.
- Madhur Rathi:** Sir, also, sir, in FY15, we used to have 12% market share in pearl millet. So what is the status of this now?
- Mithun Chand:** Yes, we are working on pearl millet. There are very good pipeline hybrids in pearl millet. We think that we can get back market share and much higher market share what we used to have earlier. We are pretty bullish on pearl millet and we have already tested a couple of hybrids, which are doing well. We can expect pearl millet sales coming in the next years.
- Madhur Rathi:** Sir, what is our market share in the current financial year?
- Mithun Chand:** As of time, it's very low. It's like 2% to 3%, not more than that. But we have huge scope to grow in that area.
- Madhur Rathi:** So now the thing is that our revenues are flat since FY15. But sir, if we see our R&D expense has increased from Rs. 12 crore to Rs. 63 crore. And similarly, our employees have increased from 814 to 1,275 people. And so similarly, our sales promotion, farmer meeting expenses, staff and dealer meeting expenses, everything has gone up. So now the thing is that we are spending more on everything, then why are we unable to get the business?
- Mithun Chand:** So if you see the '14, '15, the mix was like more than 75% was from cotton. The other crops contributed only 25% to 30%. The scenario was different. The margins were pretty high in cotton earlier, 35%. But right



now, if you see, the cotton margins are like only 15% odd. And if you see the present composition, cotton hardly contributes 35% and we are growing in all other crops except for cotton, where we have declined.

And so that's the reason for the flattish revenues and being normal for the last 10 years. But if you see other crops, if you take minus cotton, we are growing in each and every crop. The other thing regarding the costs, it is quite visible that how much we are spending on R&D. We have increased our headcount. We have increased our -- I mean to say, like our network.

We have more dealers now than what we used to have in 2014, '15. But as we said, we are working for the future. We are very confident about our product pipeline. And what we are spending now that will be reflected in the future growth.

**Moderator:** Thank you. Sir the line for the participant dropped. We move to the next participant. Next question is from the line of Rohan from Turtle Capital. Please go ahead.

**Rohan:** Sir, lately, our market share in cotton in Andhra Pradesh and Telangana has decreased. So whom have we lost our market share to? And what can we do to recover that market share? And do we have already plans to recover our market share?

**Mithun Chand:** So basically, across India, the majority of the market share was taken by RASI, one of the companies. Here also, RASI is the main player. And we are pretty confident about, as I said earlier, we're very confident about a new pipeline of hybrids where we can think that we can get back on market sharing going forward in cotton as well.

**Rohan:** Are you saying that RASI is a market leader?

**Mithun Chand:** Yes.

**Rohan:** Okay. And lately, we are also having issues with illegal cotton seed. So how big is illegal cotton seed as a market?

**Mithun Chand:** As a percentage, it remained same over the years, like 8% to 10% that remained same for over the years. But going forward, once the new technology comes in, we might not see this illegal cotton. So I think that will remain sideways for the next year or two on a percentage wise.

**Rohan:** Yes. So for a year or two, the market share of illegal will be sideways, but afterwards, it can reduce?

**Mithun Chand:** No, what I mean to say, as the technologies are pretty old. That's the reason we are seeing illegal cotton. Once the new technology gets into place, then we don't see this type of illegal product coming in.

**Rohan:** Okay. So another question is that what are the challenges you are having in scaling vegetable business because in the last few years, it has not grown very highly but you are lately saying that you want to double it up or grow 25% to 30% in three years. So what are the actions you are going to take? What are the new hybrids you are going to bring in vegetables?

**Mithun Chand:** If you recollect what we are saying is that in vegetables we will grow at year-on-year at 20% to 25% for the next five years. For last year, we were a bit flattish. I mean to say we just grew by 7% to 8%. This year, we have grown by almost like 10% to 12% as compared to previous year. But as it stands, as I said earlier, because we are more dependent on season and climatic conditions, some years might be good and some years might not be.

But as a long term, you see that we'll attain that 20% to 25% growth over a five-year period of time that we are pretty confident and we are already seeing the results for that.

**Rohan:** Okay. And on export side, what are the geographies that you are targeting for export? And have you created any crop or vegetable portfolio that you want to focus on in export side?



**Mithun Chand:** Yes. Basically, in vegetables, we are considering on gourds, tomato, hot pepper and okra. So these are the crops we are already exporting also. We have done Rs. 1 or Rs. 2 crore of exports of vegetable this year as well. So if you see our export sales have increased comparatively than previous year.

We are considering countries like neighbouring countries, especially Bangladesh, Nepal, the other countries like African countries and countries like Indonesia and Thailand.

**Rohan:** Okay. So are you also focusing on field crop side for exports? Because America is a bigger market.

**Mithun Chand:** We are mainly focussing on crops like rice and maize. These are the two crops which are there in the countries where we are operating, and we are targeting those markets. This year we have done sunflower also. Yes, we have sent sunflower to Tanzania. I don't think that might come next year because it's a onetime sale what we have done and that's a government order.

Further going down the line, if we get a government order of that size, we can do. But otherwise if you take that out of the entire export sale, from Rs. 20 crore, we'll be having that Rs. 45 crore, Rs. 50 crore of exports this year, minus government sale.

**Rohan:** Okay. And in next three to five years, how big can export be for us in revenue size, like how big it will contribute?

**Mithun Chand:** What we are seeing is that export from last year, it was around Rs. 20 crores, Rs. 25 crores, we feel like, it should cross more than Rs. 100 crore, in the next three to four years.

**Moderator:** Thank you. Next question is from the line of Ankit Gupta from Bamboo Capital Partners. Please go ahead.

**Ankit Gupta:** Yes. So we are likely to end this year sale of around Rs. 1,150 crore and almost I think the sales, which we had done in 2015. So Mithun, from

here on, will it be possible to reach Rs. 2,000 crores kind of revenue over the next three to five years? And if it is, which all segments are expected to contribute towards it?

**Mithun Chand:** From here, from taking the base year of '24, up to 2030, we can easily reach Rs. 2,000 crore. We have a very good pipeline. And as I said, these are the three main crops, field crops like cotton, maize and rice and other crop is vegetable, these four will contribute to the majority of the growth. And on the crop, what I mentioned above, we have very good pipeline coming up.

We have very good hybrids, which we are there already trialling, so we are fairly confident that we can go back to our main market shares, and we can further increase our market shares also. From here on, Rs. 2,000 crore, it looks quite possible and not far away.

**Ankit Gupta:** So if you look at it, cotton sales that cotton, of course, because of the price controls, revenues have fallen, but even our volumes have not grown over the past seven to eight years. Even if I look at maize, there's hardly any growth in volumes that we have seen in maize and revenue also in 2015 was around Rs. 160 crore, which last year was around Rs. 230 crores. So what efforts are we taking to grow these two segments for cotton and maize specifically so that our revenue can touch the guidance that you have given?

**Mithun Chand:** If you see maize, it was like Rs. 130 to 140 crores at that particular time, maize today 9MFY24 was at Rs. 198 crore. And if you take rice, rice was hardly Rs. 20 crores, Rs. 30 crores at that particular time. Now, it's more than Rs. 225 crore. Vegetable, we were zero. Now we will be closing around Rs. 50 crores, Rs.55 crore of vegetables.

So except for cotton, on as a crop, we have grown. And we are very confident that we'll grow going forward. Cotton, one thing; the acreages were down. I rightly said, because of the price control order and all other things, the margins were down in cotton. The overall acreages were down. And over and above that, we lost some market share in cotton.

So three, contributed for a decline in cotton. But going forward, what we see, we have very good average. We have enough pipeline. We're already testing a couple of hybrids in Northern India also, which are doing well and in central base also. So in the next three to five years, we think that we can get back our market share to what we used to have earlier, like the 20%-odd market shares and we are fairly confident about that.

**Ankit Gupta:** Okay. Cotton, we can understand, but even in maize, we haven't done well over the past seven, eight years.

**Mithun Chand:** So maize, I just need to check it out. Maize is like for Rs. 140 crore to Rs. 250 crores now.

**Mithun Chand:** That was one year where we had done huge sales that was in 2013 or 2014, after that it came down, but the portfolio has also changed now. Earlier, the entire market share was in Karnataka and Andhra, combined Andhra but now we are expanding across India and our market shares are up and we're all moving to single crop hybrids.

**Ankit Gupta:** Okay. What is the market size of rice seeds and vegetable seeds in India?

**Mithun Chand:** Market size, like 8% is like hybridization, you can see 55,000 tons of rice, 55,000 to 60,000 tons of rice of hybrid rice. And vegetable market size is close to Rs. 2,500 crore to Rs. 3,000 crore, slightly above than that.

**Ankit Gupta:** Okay. Even in vegetables, although we were hardly present in vegetables in FY15. But over the around seven to eight years, our sales have hardly grown to let's say we'll end up this year with somewhere around Rs. 60 crore. So, although this has gone from nil to Rs. 60 crore, but its impact on our overall revenue hasn't been that significant.

**Mithun Chand:** So one thing. As I said earlier, cotton has contributed to 75% of the total sale in 2015, 73% to 75% of the sale. That's come down to 35% now as a percentage. You can see the growth in other crops. Yes. That's the main

difference as of now. But if you see any crop portfolio minus cotton, they are growing in a good pace.

As going forward, you can see that what is the amount that we have spent in the last five, six years in terms of the R&D or in terms of the headcount we have in terms of the increase the market presence, increasing the network and setting up these facilities. And if you see the grower base of more than 1 lakh acres.

So that shows how fast we are going on all the crops except cotton. But as the cotton is a major portion for the company and for the industry as well, so from the cotton also we will grow in the next years to come. So that the entire growth will come going forward.

**Moderator:** Next question is from the line of Udhayaprakash from Value Research. Please go ahead.

**Udhayaprakash:** I know that you already answered the question on exports. But if you could give us a little bit on what is the contribution of exports to total revenue on a nine-month basis. And what is the growth too year-on-year?

**Mithun Chand:** So for the nine months, we have done around Rs. 40 odd crores, but -- it was for the entire year Rs. 22 crore last year. It is almost like doubled this year, INR40 crores. And we will end up in between like overall for the year, it will be around Rs. 60 crore of exports because some orders are pending.

So we'll do that. Out of which Rs. 15 crore to Rs. 20 crore of exports are a onetime sale, as I said earlier, what we have done doing sunflower, we have shipped one to Tanzania. That may not come next year. But overall , we are like 75% to 80% more than last year.

**Moderator:** Thank you. The next question is from Sandeep Abhange from LKP Securities. Please go ahead.

**Sandeep Abhange:** I'm saying I had a question regarding non-cotton volumes. So your non-cotton volumes have grown significantly in the past five years. We may see in the hybrid rice and in vegetables as well as in election time. So I just wanted to have an outlook going forward, like how big we are seeing in terms of the non-cotton. Apparently, it is contributing around 65%. Are we expecting similar kind of contribution going ahead like in the next two to three years? Or it will like go past the 65%.

**Mithun Chand:** So what we see is that as we were saying earlier, cotton should contribute in between the 30% to 35% because cotton is a very big market. And from the base where we are right now, I may not comment upon in a year or two, but down the line, we have a huge scope of doing cotton also. So I don't think the composition will change much. It will be in that about 70% and 30%. 30% will be around cotton and 70% will be non-cotton.

**Sandeep Abhange:** Okay. And secondly, I have a question

**Mithun Chand:** As we see growth in cotton also, that's the reason we say that cotton will also contribute to that 30% going forward. In the next...

**Sandeep Abhange:** Okay. So we can expect a 70-30 kind of ratio going forward?

**Mithun Chand:** Yes.

**Sandeep Abhange:** Okay. And secondly, I have questions regarding your margins vertical wise, can you give some clarity on your margins in hybrid rice, maize, vegetables, like you say in the quarter you have 15% approximately margins in cotton. So can you give some like the ballpark number in terms of margins in your verticals, like if you can give us an idea

**Mithun Chand:** You see our EBITDA margins are in between the 27% to 28%. It was in last four to five years between 27% to 30%. So in cotton, we are in between the 15% to 18% margins. And non-cotton segment we'll have that 35% to 40% segment. Even in each crop, each hybrid has got a

different margins. So overall I am just giving a benchmark of the 35% to 40% EBITDA.

**Sandeep Abhange:** Okay, okay. And is that -- do we have high margin in hybrids, hybrid rice and vegetables? Or is it kind of in the similar space?

**Mithun Chand:** Usually the margins are a bit high in vegetables, but the volume is very low. As of now, we are operating as a separate division. So the expenses are also pretty high. Once the volume and price goes up, then the chance of margins going up are pretty high.

**Sandeep Abhange:** Okay. And just ending in the same note, like in the same verticals, like how is the overall market share, like in hybrid rice and selection rice and maize, if you can give some clarity on that?

**Mithun Chand:** Maize, roughly, we have 8% to 9% market share. Hybrid rice, we have 10% to 11% market share. In selection rice, we have 10% to 12% market shares.

**Sandeep Abhange:** Okay, sir, that's very helpful. And overall, how is the realization in terms of value growth as well, like are you seeing good value growth across your non-cotton portfolio? I just wanted to take a view on the value growth, how is the value growth doing?

**Mithun Chand:** Volume growth?

**Sandeep Abhange:** Value growth, value growth. Like volume growth, I'm not talking about volume growth, I'm talking about the value growth, the realization growth in the realizations across your non-cotton portfolio?

**Mithun Chand:** So as I said that we work on margin in between that 35% to 40%, in between 30% to 40% crops. So that will remain the same going forward also. But as most of the costs, you can see the headcount and if you see, the R&D expense are pretty high, even the depreciations are pretty high. Once the sales volume goes up, definitely the margins will be slightly 2% to 3% better than what it is right now.





**Sandeep Abhange:** Yes, you have given a guidance of Rs. 2,000 crores by FY 2030. So in that, like what we have seen in FY '15, you had a major contributor cotton. But right now, you have quite diversified. So how are we expecting the non-cotton portfolio to majorly contribute to the Rs. 2,000 crore revenue? And as well as exports like you said exports would be around 100% and all. So how would be the split of domestic and export and how much will be the cotton and non-cotton, like on the Rs. 2,000 crores?

**Mithun Chand:** So majority of that will be a domestic one. We see at least like 7% to 8% from the export market like around Rs. 150 crores from the export market. But as I said, the composition will be 30% to 70%; even in that scenario, 30% will be from cotton and 70% will be non-cotton.

**Moderator:** Next question is from the line of Amit Doshi from Care Portfolio. Please go ahead.

**Amit Doshi:** Sir, recently, there's been news about this maize in focus going for this ethanol production and the news that sugarcane farmers are also shifting to maize crop. So do you see anything on the ground, just want to have your comments overall on that and impact on Kaveri?

**Mithun Chand:** So maize is a very good crop both in terms of climatic conditions and in terms for the farmers. And with the ethanol coming up, as of now the estimated is like 1/3 of the total production is required if all the plants are commissioned. And going forward, we see that the maize acreages may go up and that will help definitely Kaveri because we are one of the major players in maize. So that will definitely help Kaveri also.

**Amit Doshi:** And do you see that thing changing on the ground in terms of farmers shifting their sugarcane crop to the maize?

**Mithun Chand:** It's too early because the plants seem to be commissioned. But down the line, we will definitely grow.



**Moderator:** Next follow-up question is from the line of Madhur Rathi from Counter Cyclical. Please go ahead.

**Madhur Rathi:** So I was talking about a news article which appeared recently, which said that Nuziveedu seeds will double their revenues in 5 years and they hope to recoup their lost market share in cotton from 15% now to 30%, and we are also more or less talking about the same thing. So I mean, everybody cannot take market share because the market is constant. So basically, what edge do we have vis-a-vis the competition? And sir, what has changed in the past 2 years that market share that we have lost in cotton, what gives you confidence now that this will get reversed?

**Mithun Chand:** I may not comment about the other companies about their projections and what they do. But coming back to Kaveri, we are pretty confident about our hybrids. The entire projection base or entire comment what we are doing as of now, it's only on the basis of the hybrids, which are there in the pipeline. So we are seeing the performance of the pipeline hybrids, we are pretty confident that we can go to those levels.

**Madhur Rathi:** Okay. And sir, there was like news articles regarding the cotton association telling that the seed production would be 30% to 40% less in this Kharif season. So do you see an impact of that on our seeds?

**Mithun Chand:** I may not say that 30% to 40% down but this as slightly lower as compared to last year production, overall cotton is down, down for this year, but going forward, even I see the same issue for the next year as well because we see a shortage in the seed.

**Madhur Rathi:** And sir, what about our production?

**Mithun Chand:** As of now, we have not received the entire production, even we will be also shortage of that seed. But as of now, we are still receiving in this year, and we are testing the quality of it. Once we get that report, we'll let you know. By next quarter end, we'll give a clear picture for that. But as of now, initially, what we say is that even our production got impacted

that we were saying for the last 2 quarters, to what extent, that we need to see.

**Madhur Rathi:** And sir, do we see some kind of price spike in this year Kharif season as well as the next year when the production will be down?

**Mithun Chand:** I don't know. Again, it's all again the government need to decide, the central government need to decide on the pricing. We need to see that. But definitely production costs and everything has gone up. So in that view, the price also needs to go up.

**Moderator:** Next question is from the line of Mohammed Patel from Care Portfolio. Please go ahead.

**Mohammed Patel:** Can you give some more qualitative details on the production in the pipeline, both cotton and non-cotton?

**Mithun Chand:** So this year, the entire production, both cotton and non-cotton got affected. But in non-cotton, we have enough inventory, enough production, we have planned in different locations. So we are quite saved when compared to industry. But in cotton, as the areas are very limited, we got affected in cotton production.

To what extent, that only after the next 1 to 2 months, you can get to know because as we are yet to receive the stock, we need to test for the quality. Then only we can get to now. But for sure, we have been impacted. To what extent that I can give in the next 4 or 5 weeks later.

**Mohammed Patel:** So you are saying that FY '25, the cotton sales could get impacted because of this?

**Mithun Chand:** Yes, definitely. To what extent, I don't know, but whether we'll have the same level of production or slightly above or lower 5 to 10% that we need to see.

**Mohammed Patel:** Okay. Can you give some more details on the pipeline, both cotton and non-cotton, based on which we are confident of growing?



- Mithun Chand:** So we have a very good pipeline in hybrids, both cotton and non-cotton segment in all the crops, in fact, we have been in different zones, as I said earlier, we had tested one in Northern India, one in Central India. So we see a good performance as of now, and we are pretty confident about that.
- Mohammed Patel:** Can you share the number of products in pipeline for cotton and non-cotton?
- Mithun Chand:** That's a different thing because there are n number of products. So only one or two will be there. So once we launch officially, we can share the number of products.
- Mohammed Patel:** Okay. And next question is, how many products have we launched in FY '24?
- Mithun Chand:** I just need to take the figures, but across the crops, we might had done like 12 to 14 products approx.
- Mohammed Patel:** Okay. And how much do we expect on...
- Mithun Chand:** Just we need to check on that number. Usually, we don't track that number, how many products because we have got like 8 to 10 crop portfolios. For example, only in vegetables, we have 10 crops. So each crop will have different hybrids in different segments. So usually, we don't track that number.
- Mohammed Patel:** But do we expect to launch more than 12 to 15 products on an annual basis?
- Mithun Chand:** that's a minimum number what we test every year. That's just a minimum number of what we do every year. So tracking that number will not give any figures as such.
- Mohammed Patel:** Okay. So I just wanted to understand out of this 4% growth that we have done in the 9 months, how much of that would have come from the new products?



**Mithun Chand:** That we have already given in the presentation, each crop has got a different contribution. What we see is a new introduction, new products, everything has contributed more and each crop details, we already shared in the presentation.

**Moderator:** Thank you. Next question is from -- next follow-up question is from the line of Sandeep Abhange from LKP Securities. Please go ahead.

**Sandeep Abhange:** Just had a follow-up question on the size of the market, like can you give a number in terms of how big is the unorganized market like versus organized one in the seed, hybrid seed market?

**Mithun Chand:** Overall Indian seed market, we are estimating around Rs. 55,000 crores to Rs. 6,000 crores, out of which hybrid seed market, most of that is organized market, it's like around Rs. 22,000 cores to Rs. 25,000 cores.

**Sandeep Abhange:** Okay. So almost half of it is organized and half of it is unorganized?

**Mithun Chand:** Yes. Basically, the unorganized market is there in varietal crops, wherein unorganized is the sense that the farmer reuses his own seed, but basically in the last 15 years, the seed replacement ratio has also gone up to 60 to 65% level from 20% to 25% levels. So they are all moving to the organized market.

**Sandeep Abhange:** Okay. So what is the seed replacement pattern in the non-cotton portfolio, like across your non-cotton portfolio?

**Mithun Chand:** No. Only in varieties we talk about seed replacement ratio, whereas in hybrids, there are 100% seed replacement.

**Sandeep Abhange:** Okay. And just to understand the hybrid penetration of like you mentioned in hybrid rice, the hybrid penetration is still 6% to 8%. But what is it for non-cotton portfolio, how is the hybrid penetration in that area?

**Mithun Chand:** So the rice is also year-on-year increasing but not to the pace as we thought, but right now it has reached like 8% to 10% of the overall

portfolio. Whereas in maize, it's almost like 75% to 80% is hybridized. So majority of that is already hybrid. Only area which is not hybridized is rice. That is slowly going up.

And there are different reasons for that because there are different segments in rice, we are yet to get good hybrids which can replace varieties which are high yielded there. But year-on-year, it's changing, and we see a huge potential in rice. And going forward, it will definitely increase.

**Moderator:** Next follow-up question is from the line of Siddhant Dand from Goodwill Warehousing. Please go ahead.

**Siddhant Dand:** I just wanted to understand what the worst case scenario that cotton will be affected this year?

**Mithun Chand:** As I said earlier, it's too early for us to say. But might be a 5% to 10% plus-minus than the previous years.

**Siddhant Dand:** Okay. I just had a question that in case there's a proper disaster or something, do we have insurance over our crop or something like that?

**Mithun Chand:** We had some but not successfully done here. We don't have insurance for that.

**Siddhant Dand:** Okay. Apart from that, the rice, there's some restrictions on rice exports, will they affect the production or sale in the year?

**Mithun Chand:** I don't think so because what we are doing is hybrid market. So the exports imports, that's the government policy, usually that will not impact the acreages as such when we have seen the acreages in the rice in the last 15 to 20 years, it remained stable at that 40 to 44 million hectares.

**Siddhant Dand:** Okay. Are we present in Basmati over there?

**Mithun Chand:** Right now, no. but we are working on Basmati also.



- Siddhant Dand:** Okay. Any potential market size for us in Basmati?
- Mithun Chand:** Yes. Potential is already there, but usually, we are working on the hybrid, which has got major market shares like medium slender or something like those type of grains maturity. We are working on those. These are very niche markets, very specialized markets for that. We are doing well, but our main focus is on the mainstream.
- Moderator:** Next question is from the line of Anurag Jain, Individual Investor. Please go ahead.
- Anurag Jain:** My question is, in the quarter gone by, how has been the performance of mustard seeds?
- Mithun Chand:** Mustard is good. We have tested one hybrid last year. That's still in a trial, trialling stage. It's still in sleeves. Last week, we visited, but it's good, it's doing well. Mustard is a crop which will have a good scope in India, and we are working on hybrid mustard. So definitely that will also contribute going forward.
- Anurag Jain:** Okay, sir. And one earlier answer, I wanted to clarify on the R&D expenses, the R&D expenses are around 5% of sales. And you mentioned that you expect this to increase. So at what level do you think this will stabilize; R&D expenses as a percentage of sales, at what level they will stabilize from the current 5%?
- Mithun Chand:** So it might go up to 8% to 9% going forward, that includes your capital expenditure.
- Moderator:** Thank you. Next follow-up question is from the line of Dhwanil Desai from Turtle Capital. Please go ahead.
- Dhwanil Desai:** So, my question is, looking at your commentary in the current call and in the past, essentially three things are clear that you will gain market share in the cotton side. And then I think your non-cotton portfolio will grow at 15% to 20%, all put together. So non-cotton has a higher margin. So I'm slightly not sure how to read into that 12% to 15% growth

guidance because if you put this all together, I think it should be higher. So am I missing here?

**Mithun Chand:** So that's the guidance what we have given right now. So 12% to 15% is what we see. The next six years, it is almost like 70% to 80% growth.

**Dhwanil Desai:** Okay. But is it fair to assume that your non-cotton portfolio will grow at 15% to 20% because your export and vegetables will grow at much faster pace?

**Mithun Chand:** Yes, that's all comes to the non-cotton segment?

**Dhwanil Desai:** Okay. So by saying that non-cotton as a segment can grow at 15% to 20%, is that a fair assumption?

**Mithun Chand:** So what we say is that overall, as a company, we will grow in between the 12% to 15% growth for the next 5 to 7 years. And the percentage will be like 30% cotton and 70% in the non-cotton, the mix might remain same.

**Dhwanil Desai:** And I think you guys are at 8% to 9% in the maize and in the hybrid, right, I think you said around 10% market share. And we have been in both these segment for a long time. So how do we see room to increase our market share from 10% to like 15% to 17%? What are the levers to do that?

**Mithun Chand:** One thing the maize market itself is expanding. We may not be necessarily that from the other market share we'll take it. If you see in the last 7 to 8 years, it has gone up by 20% to 30%. And as a trend as an industry, what we see, they give a growth rate of 7% to 10% for the next 20 years for the seed industry. So we'll grow in that respect as a company as we are there in money crops. We are adding new portfolios, which aims between the 12% to 15% growth for us. And by seeing the pipeline hybrids and wherever what we have done in the last 5 to 7 years, we're pretty confident that we will reach the position what we are at this now.





**Moderator:** Thank you. Next question is from the line of Manish Shah, Individual Investor.

**Manish Shah:** Sir, our seed business, cotton seed business might be affected due to lack of production. You told that it should be minus 5% to 10% but it should be maximum minus 5% to 10% or it can go more, sir?

**Mithun Chand:** As of now it looks like that. As I said earlier, it may take like other 3 to 4 weeks. But as of now initial like 5% to 10%.

**Manish Shah:** So 5% to 10%, I think it's the normal. I think every year 5% to 10%, even the acreage is also dropping by 2% to 3%. So I think 5% to 10% should not be an issue

**Mithun Chand:** Usually we maintain inventory. This time based on that inventory and everything, we are getting short of it. But I tell, it's too early for me to say, but as a guidance, I'm just saying, but I will get to know only after 3 to 4 weeks later.

**Manish Shah:** But sir, if the production itself is affected in the whole industry, then the acreage should also get affected and farmers will go for other crops. So what do you think the other crop should be?

**Mithun Chand:** Usually, in the inventory, as an industry, they have 15% to 25% more inventory than required. So the acreages what it was laid, it may remain same or slightly come down by later. But this time, for a good quality seed, there will be shortage. I mean to say that my hybrid is in demand. I may not be having those hybrid seed, but a different hybrid seed will do.

**Manish Shah:** So do you think the price should go up then?

**Mithun Chand:** I said it's a government controlled thing. And it being an election year, I'm not particularly sure how much will it go up.

**Manish Shah:** Sir, what are the other products which we are going for in this Kharif season? Other big launches?

- Mithun Chand:** So basically, we are there in rice, maize and other crops. So all other crops will do well. We don't have any issue with the inventory.
- Manish Shah:** And sir, one thing I wanted to ask you is that the cash on book size has dropped from quarter-on-quarter. What is the reason, sir?
- Mithun Chand:** What was that on September?
- Manish Shah:** Yes, it was from Rs. 787 crore. Now has come to Rs. 587 crores.
- Mithun Chand:** We may have done some investments. I mean, we have made some farmer payments, production cost, inventory we will be receiving it, the payments we have made.
- Manish Shah:** So you are building up inventories?
- Mithun Chand:** Yes. This is the time we pay for the inventory.
- Manish Shah:** Sir, what are the other new products which will be targeting in this Kharif season like new hybrids or something other new products, special products or something like that?
- Mithun Chand:** No, all whatever products we launch will be in those hybrids in those crops where we are dealing with. As I said, like rice, maize, cotton and vegetables are the major crops where we focus on and that there, the launches will be also there in these crops.
- Manish Shah:** And sir, one more question about the consolidated employee cost, which has gone up by 30%. It should be because of some temporary hiring or something like that or what?
- Mithun Chand:** No, we have had many people in R&D. We have increased the same to close to 200 now. And we have appointed many people across in all locations. So that's the main cost for us.
- Manish Shah:** So that would be a permanent cost now?
- Mithun Chand:** Yes, That will go up.

**Manish Shah:** So what is the reason for hiring -- are you very hopeful of the next year? Or what is the reason?

**Mithun Chand:** This is a continuous activity, we have developed many hybrids. We are marketing in to areas as of now. That's the reason the headcount and the salaries year-on-year, both are going up.

**Manish Shah:** So we are pretty confident that next 2 to 3 years will be very good?

**Mithun Chand:** We are pretty confident about our business, not for just 2 to 3 years, on a long-term basis, also, we are very confident, bullish on business.

**Moderator:** Next question is from the line of Udhayaprakash from Value Research. Please go ahead.

**Udhayaprakash:** Yes. Sir, I just want to ask if you could elaborate between what is the difference between the selection rice and hybrid rice. And what is the margin profile? Is it same or are they different?

**Mithun Chand:** Hybrids are nothing but where two different parents are involved. Selection rice is like the varieties. That's it. But these are the varieties which are developed by our own company, that is the reason they are called the selection rice.

**Udhayaprakash:** And the margin profile for both, is it same or is it different, sir?

**Mithun Chand:** Hybrid rice has got a slightly higher margin.

**Udhayaprakash:** Sir, the last con call, you had stated that we focus more on vegetables not just because of the margin but also because it is not as seasonal as other crops. And also the use cases in most states as compared to other crops. So do we have to special focus for the supply chain in order for the growth to territory of the seeds or what are we trying to do there on a supply chain front for vegetable seeds?

**Mithun Chand:** So we have a separate division for vegetables even though that is part of Kaveri. It's 100% part of Kaveri, but we run it as a separate division because as I said, it's a year-long crop. The payment, the collection, the

crop cycles are entirely different. That's the reason we have set up a new team for that for the last 6 to 7 years. That's how they are running the business that operates independently.

**Udhayaprakash:** Okay. So my next question is also in the last few years, hybrid rice and selection rice have been the growth driver for us and since after 2015 the focus on cost then started shrinking. So do you believe that rice will be the growth driver going forward or do we have identified any specific growth driver or all the crops that you're focusing on, we are betting on them for future growth?

**Mithun Chand:** So we, as a company, we are there in many crops and all crops are important for us. But based on the conditions like acreages and conditions, these are the 3 main crops; cotton, maize, rice and all vegetables including. These are the 4 main crops, which we need to focus on. And majority of the growth will also come from this because the other crops are also there like mustard, like pearl millet, Sorghum, Sunflower. But the overall size, overall size of the market to the entire seed market is very low. Even though we are big in that, we cannot make a big impact in terms of the revenue. But these are the 4 crops where we have the growth and which should contribute to the major revenues. Saying that, we do not regress those crops also, we are working on those crops also.

**Udhayaprakash:** And so sir, is it safe to assume that whatever R&D that we are going to do going forward in 3 to 4 years, it is for 3 to 4 crops, it appears. Is it safe to assume that?

**Mithun Chand:** So we are doing R&D in many crops. But as I said, as these 4 crops are contributing to 80% to 85% of our sales, even the R&D spend will be 80% to 85% on these crops only.

**Udhayaprakash:** Okay. And finally, my question is on exports. Can you give the revenue contribution to export on a 9-month basis? And what has been the year-on-year growth?

**Mithun Chand:** So overall, the growth is like 140% like or so. The production, the overall export for the 9 months is Rs. 40 to Rs. 45 crore. But I think we have given in the slide in the presentation also, but for the entire year, it should be around the Rs. 60 odd crores, it will be like 4% to 5%.

**Udhayaprakash:** Okay. And finally, you've answered this enough, but it's hope that interpreted the idea. So in 2015, let's say, till TDM basis, our revenue has been around the same level, and that is mostly because of the contribution of cotton has fallen over the years. But on the other crops also, we had to start almost from scratch and only now let's say, we have a very established trends on all the crops. So can we say that this stagnation won't persist going forward now given that we have good presence in all the segments?

**Mithun Chand:** So as I said that like more than 70% was contributed by cotton in 2014, '15. From there now 65% to 70% of the total volumes or the total revenue is contributed to noncotton crops. Even in non-cotton crops, we are having portfolios like rice, which was very low earlier, then vegetables which also we have added. So in that way, we are focusing on more crops and we are increasing revenue in most of the crops where we are operating.

Cotton is the only product where we have lost our sales and revenue and margins. Even in these tough conditions, we were able to maintain the entire margins. If you go back to those levels, the EBITDA margin was around 30 odd percent. Now also with very low margins in the cotton, we are able to maintain the 27% to 30% EBITDA. And if you see the R&D spend or if you see the infrastructure and the head count what we have now as compared to 2014 and 2015, it is pretty high now. I have rightly said that employee costs sits at double or triple as compared to those levels.

So what we see as we are adding more crops, we see good years going forward. And whatever we had spent in the last 5 to 7 years that will convert to revenue in the next 5 to 10 years.



**Udhayaprakash:** Okay sir. Thank you. That's it from my side.

**Moderator:** Thank you very much. As there are no further questions, I thank all the participants for joining the call. For further information, please be in touch with Rama Naidu from Intellect IR on 992-020-9623. On behalf of Kaveri Seed Company Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.