

kaveri seed company limited



31<sup>st</sup> August 2020

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

**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 0051

**Scrip Code: 532899**

**Scrip Code: KSCL**

Dear Sirs,

**Sub: Transcript - Kaveri Seed Q1 & FY 2021 Results Conference  
Call on Friday, 14<sup>th</sup> August 2020 - Reg.,**

Please find attached herewith Transcript of Kaveri Seed Company Limited Q1 & FY 2021 Results Conference Call made on Friday the 14<sup>th</sup> August, 2020. The same was displayed at our Company's website: [www.kaveriseeds.in](http://www.kaveriseeds.in).

This is for your information and records.

Thanking you,

Yours faithfully,  
**For KAVERI SEED COMPANY LIMITED**



**C. MITHUN CHAND**  
**WHOLE TIME DIRECTOR**

Encls: a/a.



## **Kaveri Seeds Company Limited** **Q1 FY21 Earning Conference Call Transcript** August 14, 2020

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**Moderator:** Ladies and gentlemen, good day and welcome to the Kaveri Seeds Company Limited Q1 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 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. Rishab Barar from CDR India. Thank you and over to you, sir.

**Rishab Barar:** Good afternoon, everyone and thank you for joining us on the Kaveri Seeds Company Limited's Conference Call. We are joined today by Mr. Mithun Chand, the Executive Director.

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

We will begin the call with opening remarks from Mr. Mithun Chand who will share updates on the market environment and take you through the strategic imperatives of the company. He will also share his thoughts on the performance of the company during the review period. We will then have the forum open for an interactive question-and-answer session. Now, I would like to invite Mr. Mithun Chand to share his views. Over to you, sir.

**Mithun Chand:** Thank you. Good day everyone and very warm welcome to all of you. I hope you and your loved ones are all safe and well. The company continues to deliver a strong operating performance amidst the COVID-19 pandemic. We are thankful as we are aided by the support of the government to overcome challenges that we face and meet requirements expected by an essential service company like us. During this time, I would also like to hope and pray that all of you and your families are safe and healthy.

Revenue growth as such almost 15% of the corresponding quarter basis and EBITDA margins excluding other income continued to be healthy at 39.88%.



Financial performance sustained considerable improvement and I will drive into the details shortly. Where acreages details of crops are concerned, cotton has increased by 4.9%, maize acreages are up marginally by 0.59%, rice has shown a strong growth in acreage over the previous year whereas bajra, jowar and sunflower have also increased over the previous year. It is also we need to understand that these figures are as on date, not for the corresponding year and it is like these figures are as on date considering the previous year. It is important to highlight that the maize prices are down and farmers are holding to grains in key markets.

Where our crop price performance is concerned, quarter volumes increased by about 5% in Q1 FY21. Volume was gained in the North and West markets, maize volume increased by 7% in Q1 FY21 and the revenue was up 9%. Although there was a decrease in Telangana, volume increase in all other states, increase in value are driven by contribution from the premium segment portfolio. Hybrid rice volumes increased by 44% and revenue increased by 53%. Hybrid paddy, KPH 468 continued to bolster growth.

Selection wise, volumes are increased by 23% during the quarter and revenue increased by 28%. Growth in the premium segment is more than in the general segment. On the consolidated basis in Q1 FY21, revenue stood at Rs. 719.48 crore as against Rs. 627.58 crore, a growth of 14.64%. In Q1 FY21, EBITDA excluding other income stood at Rs. 286.95 crore as against Rs. 236.08 crore in the corresponding quarter. EBITDA margins excluding other income at 39.88%. In Q1, PAT was at Rs. 295.29 crore compared to Rs. 229.58 crore. Our balance sheet remained strong. Total cash on books as on June 30, 2020 is Rs. 524 crore and as on March 31st was Rs. 337 crore.

As most of you are aware that the first quarter is always a stronger quarter for us as majority of the rainfall takes place during this period. Our financial performance has been good, and crop wise performance was also encouraging. I would like to highlight that we have taken strong measures of safety for all our employees during the pandemic and very heartened with their relentless efforts during these difficult time.

Operationally, as well, the minimum teething issues that we had in our supply chain and labor has been rectified as the business is running shortly. The government support continues to be acknowledged. A few key points from the outlook is that the area of cotton is down in few states like Maharashtra and Gujarat, while overall cotton may be down as we go in the second quarter in state say, Tamil Nadu. Prices for feed crops like cotton and maize are not good and farmer sentiments for coming quarter may not change, but rabi area may be impacted in case prices do not improve. New hybrids continued to be a focus and we have introduced hybrids across crops and the response in acreage.

Vegetables are also performing very well. Hybrids are being introduced in hot pepper, tomato, bitter gourd, okra and Kaveri Okra 54 is now a market leader. New crops have also been introduced like cabbage, beetroot, carrot, marigold, sweet pepper, pumpkin, muskmelon.

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 the question and answer session. Thank you.



**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Rohit Nagraj from Sunidhi Securities. Please go ahead.

**Rohit Nagraj:** Sir, in terms of, we have done very good performance all across the segments, so from growth perspective over the next, may be 3 to 5 years, what are the steps that we are taking in terms of getting into newer geographies or gaining the market share from incumbents or probably gaining traction in the areas where probably hybrid rice is still unpenetrated or vegetables still have significant scope. So from a strategy perspective, what is the direction that we are working on from a 3 to 5 year perspective?

**Mithun Chand:** We were always seeing our perspective in this figure and we were always focusing saying that we need to have a good product line to achieve the growth and as a company from day one, we started focusing on that and in the last 4 decades present in the Indian market, we started as a strategy, we wanted to add many crops to the portfolio and now we are leaders in most of the crops where we operate. And moreover, that as a company, we are spending a lot on R&D and getting up infrastructure where we can develop new products in all the segments and gain the market share. If you see in the last 5 years, we have grown in Central and Northern India as well, so that itself shows our focus on the new markets and continuous effort on launching new hybrids in new markets and like, for example, if you take vegetables which we were investing in for the last 10 years, now it is showing results. So that is how we are planning our growth and we also have started exports, so this all should contribute the growth. And in terms of the growth for the coming years, we think that we will continue with the previous stand what we have and definitely that should be going forward.

**Rohit Nagraj:** Sir, just couple of bookkeeping questions, the other operating expenses have come down during this quarter and the other income has gone up, so the reasons for the same?

**Mithun Chand:** Regarding the other income, it is the income generated by the investment activities. Basically, we have free cash on our books that we invest in mutual funds, mostly into debt funds. We got interest income out of that that is booked under other income. Whereas coming back to the other expenses, other expenses include most of the travelling expenses, health promotion expenses and the royalty portion. Compared to last year, the royalty is lower by 15 crore compared to previous year because we used to pay Rs. 19 as royalty to Monsanto that is zero this year, so that is the major reason why the other expenses are down compared to the previous year.

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

**Chetan Thacker:** Sir, just wanted to understand on the rice portfolio, both hybrid and selection, just wanted to get a sense on which market have we grown well and what are we witnessing in those market?

**Mithun Chand:** We have grown across India, but if you talk about the hybrid rice market, it is basically into Central and Eastern India, so we have thrown a lot in states like UP, Chhattisgarh, Jharkhand, parts of Bihar and Odisha. So these are the major areas which contribute to the hybrid rice and which are growing very fast. And there are selection wise across India, we have grown across India.



**Chetan Thacker:** And sir, industry level, what would be the growth in this quarter? Any sense on hybrid rice?

**Mithun Chand:** I think the hybrid rice will grow by around 4 to 5% across industry, but there are two kind of rice – hybrid rice and normal rice, that is varietal and the other rice. Varietal rice has grown up significantly compared to previous year, it should be up by more than 8 to 10% compared to previous year because mostly we have a very good monsoon and the season is also early, but whereas the hybrid rice is just up by 4 or 5%.

**Chetan Thacker:** So we would have gained market share in hybrid rice, right, given our volumes?

**Mithun Chand:** Yes, we have gained significant market shares in hybrid rice. If you see our growth, we have grown by more than 45% and if you see the past 3 years, we are growing at more than 35-40% year-on-year. That itself shows our strength in hybrid rice and I think we are in the top 3 or 4 in hybrid rice.

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

**Abhijit Akella:** With regard to the outlook now going forward for the rest of the year, number one, given the early monsoon that we have had this year, would we expect 2Q to be somewhat more subdued compared to what we had last year? Last year, I believe we had sold about 5 lakh packets of cotton in 2Q, so that was one and second, any risk of sales returns in cotton that you might consider given the shift in cropping towards other crops in some of the key states?

**Mithun Chand:** Regarding Q2, I don't think there is much impact for us in this Q2, compared to cotton in the corresponding quarter, I don't see much of that in Q2 and last year also, the monsoon was early and most of the season came in the first quarter itself, so I don't see much of an impact in the second quarter. And most of the numbers like, for examples, cotton figures like, we had done around 5 odd lakhs packets rectified in the last year second quarter, it should be in line with 50,000 plus or minus this year. It should not have much difference and coming back to the sale return, whatever we show it at sales, it is the liquidated quantity, it is the net of sale return so the sale return will not have any impact on the numbers what we show.

**Abhijit Akella:** That is good to hear and also just on rabi, the presentation you shared a little bit of a cautious outlook for rabi acreages of corn and so if you could just talk about what you expect in terms of rabi, last year's rabi was very strong, we have a high base effect now, so should we expect corn hybrid sales to be a little bit weak in the second half of this year?

**Mithun Chand:** To be frank, it looks, as of now it looks like that because most of the grains are with the farmers and the grain prices are pretty low, but mainly because of the impact of the exports. That we need to see, but otherwise it is like in terms of the performance of the maize for the second half, as an industry it looks like a bit cautious, but when coming back to Kaveri, I don't think it will be impacted much because we have spread across different locations and we have different hybrids for that, so it should have a minimal impact on us in terms of rabi for Kaveri. But as an industry like you said, we need to look at it. If the situation improves in between because we have a couple of months more for the rabi season, if the situation improves, the exports are definitely



there, it will be a good sentiment. As of now, it is just like a cautious settlement, but we need to see. The other thing what we need to observe is that we don't have any second alternative for maize in many areas. In some part, wheat is picking up and we are also there in wheat, so for us, in terms of the revenues it might shift to some or the other parts, but overall as a consolidated base, as a company basis compared to the second half, the second half, I don't see much impact for us.

**Abhijit Akella:** Just one last question from me and I will get back in the queue, just with regard to vegetables, the performance has been excellent so far, I think almost tripling of revenues year over year, now I believe last year, we had done about 15 crore vegetable revenues, could you give us some sense of where you would expect that number to be this year?

**Mithun Chand:** I will just correct it, last year, for the entire year, there was Rs. 10 crore to 20 odd crore in vegetable for the entire year. Compared to the first quarter, we have done Rs. 6 odd crore and 5-6%, we have almost done Rs. 15 crore this year. On the small base, we have grown to 200-300% in vegetables, but going forward, vegetables is a good segment and high profitable segment. We are pretty confident that we will make marked vegetables in the next couple of years. If you recollect, we were always saying that vegetable business will be a good contributor coming down the line in 3-4 years, but this year itself, we see a good growth in that. Definitely, we see at least 40-50% growth in vegetables only. By the initial start, it looks like it should be much more than that, but conservatively it should be nothing less than 40-50%.

**Abhijit Akella:** So Rs. 20 crore last year and at least Rs. 30 crore this year is what you are saying?

**Mithun Chand:** Yes, 40% to 50% of the last year, entire year.

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

**Nitin Awasthi:** Firstly, congratulations on a great set of numbers, but I was going through your presentation. In the presentation, it has mentioned that HTBT-3 illegal seeds have basically affected the whole legal seed basket by 15%, what would be the impact on our company as a whole? Would you see that there has been a lot of growth being taken out because of the whole illegal seed business?

**Mithun Chand:** Yes, if you see Kaveri as such, we have grown, even though the acreages are down by 5 to 8% across the area in terms of the cotton acreages, we have grown in terms of volume by 5%. That itself shows that we have gained market shares in majority of the areas. But coming back to HTBT, slightly there was an increase in the illegal BT, but as a percentage it will impact more because the acreages are down and HTBT remained same with a slight increase in that. That has affected most of the branded seeds this year because the transportation issues and other issues and the non-availability of the smaller unorganized segment and all those things move to the HTBT, but yes, there is an impact, but to quantify the impact, it will be a bit difficult thing, but definitely there is an impact on us.

**Nitin Awasthi:** So now, just getting into this market and understanding this whole illegal seed business, is that every year the impact has been growing and of course with the impact growing every year, the impact on our growth numbers will be there, although hard to quantify, but it will be eating away from the growth that Kaveri has been doing





as a whole being that the illegal seed business is moving right now. So could you just share some light on it as to what could be the corrective course of action that could be taken which would it be that sooner or later these seeds will get legalized? If these seeds do get legalized, what are they currently retailing at? What could the price drop to? Is the company ready with this variety of seeds? Or how much time will it take the company to scale up to this?

**Mithun Chand:** If you go back to the illegal BT seed, illegal BT is there for the last 15-18 years, in terms of the introduction of the BT1 and if you see in the past years, it moved from 40 to 60 lakh packet most of the time. Even this year is slightly above than 60 lakhs, but if you take the past 5-7 years, it was in the range of 40 to 60 lakhs. And moreover, we need to appreciate the government both central and state government, individual state governments are acting very tough on illegal BT and there was continuous research and operations to control these contaminated seeds. So I don't think it will further go from this way because the government is taking strict action from that and it got controlled in the last year, but being this pandemic here COVID condition, they were also not given free hand to operate, so that might be one of the issues and the transportation was also a difficult task, so the illegal seeds moved in between the villages to villages. That is one part we need to see. Going forward, that getting legalized is the government subject, I don't think the illegal BT can be legalized. The government need to take a policy basis different set of committees which is for the modified crops. That needs to be cleared from them. Then only it can be legalized, so I don't see that as a major threat for the branded companies. In fact if you see in the other way, it should come down going forward. That is my perspective.

**Nitin Awasthi:** And during the year, we had a major breakthrough with the GMS technology within cotton, so the benefits of that have started to flow in this year or will we see the benefits of it next year?

**Mithun Chand:** A part of that flowed in this year, but majority of that will flow in the next year.

**Nitin Awasthi:** Could you quantify, sir?

**Mithun Chand:** We had a carry forward stock of last year, so that we have cleared it this year, so some part have come but majority of that will come in the next year.

**Nitin Awasthi:** Sir, could you just quantify how much would be the saving for package?

**Mithun Chand:** 15% or so. Overall, entire seed what we sold in 15% of that will be GMS.

**Nitin Awasthi:** And next year, you are seeing this number to increase to almost 100%?

**Mithun Chand:** More than 75%.

**Nitin Awasthi:** And the savings per package because of GMS at the current price?

**Mithun Chand:** It should be roughly 2 to 3%.

**Nitin Awasthi:** 2 to 3% of the overall price?

**Mithun Chand:** Yes.



**Moderator:** Thank you. The next question is from Madhav Marda from Fidelity Investments. Please go ahead.

**Madhav Marda:** My question was on your outlook, I joined the call a little late, so I don't know if you have already shared your outlook, but from your presentation, if I look at your outlook for cotton seeds and maize, you started a bit negative due to the lower demand and the higher supply that might come in. Could you share your perspective in the cotton side once, a bit more in detail about how the pricing might pan out in the acreages for the coming Q1?

**Mithun Chand:** Sure, I have already shared it, but anyhow I will again share my thoughts about it. In terms of the cotton, majority of the acreage is already done, we don't see much of an impact coming in the next quarter and even for the maize, immediate next quarter will not have much impact because all the maize acreages are done, but going forward that is rabi which comes in the third and fourth quarter. The maize crop might be impacted because of the commodity prices and most of the farmers are holding this way. So there might be an impact on the overall industry, but in respect to Kaveri, I don't see much of an impact because most of the markets, they are just gaining market shares and we are in a very initial stage, so that should not have much of an impact for us and definitely with this view, I don't think second half should vary much when compared to last year, but in terms of the industry, we need to wait and watch. Other two or three months have been left out for the rabi crop, we need to see. If the exports are allowed, then definitely we see a good sentiment for it.

**Madhav Marda:** But next year basically, sizes are a bit weaker and we have oversupply, would it be fair to say that next year acreages for these crops could be a bit lower Y-o-Y? There could be some impact, right?

**Mithun Chand:** It is too early to talk about the next year because the pandemic situations, most of the transportation, most of the exports and everything is stalled now. I think once it smoothens, then the entire operation should be good and the other fact we need to understand is that in India, there are very few crops of choice. So it definitely should revolve around these crops and as Kaveri, we cater to many of the crops, so I don't think there is much impact on our view on the overall market, but it is too early to talk about anything about the next season. We can get to know only in the month of October- November, once the farmer realizes the grains. and as Kaveri, the strategy of Kaveri is that to operate in many crops that will actually yielding us, for example, when you talk about rabi crops, instead of maize, if the maize doesn't cover rabi, it move to wheat. We are already there in wheat also, so we will get some market share in wheat as well. So in that way, we are slightly inflated to the market condition and that is where we say that our strategy of operating in many crops and moving into different crops and adding fewer new crops at a continuous journey helped us to gain up leadership in the entire industry.

**Moderator:** Thank you. The next question is from the line of Sumant Kumar from Motilal Oswal. Please go ahead.

**Sumant Kumar:** You, in Q4 FY20, you have guided cotton volume growth in the range of 10 to 15% and assuming 10% growth also our previous year, the overall packet change coming around 7.5 and upper band, it is going to be 8 million packet, so can we achieve 7.5 at least for FY21?





**Mithun Chand:** I don't think so, because most of the cotton industries have already sold. The volume growth compared to previous year should be in between 4 to 5%. If you recollect the call, we were saying that the market should go up by 5% this year, but in fact it is down by 6 to 8%. So even in that tough conditions, we are able to gain volumes and market shares. So instead of 10%, we will be doing around 5%, but the other way to look at it is that in non-cotton, we said it is 15 to 20%, but it is more than that in the cotton crops. Overall, as a company, we have given a guidance in between 10 to 15%. I think we have attained closer to 14% growth, so we are in line with our guidance.

**Sumant Kumar:** In the cotton side, the Q2 is going to be a lower than previous year Q2 because of early....

**Mithun Chand:** Last year, the Q2 was only 4 or 5 lakhs, 90% to 95% came in the first quarter in the last year. Even this year, I think it should be in line with last year itself, few thousand of packets here and there, but it should be in line with last year.

**Sumant Kumar:** You were talking about Q2 will be a similar or lower than that of the previous year?

**Mithun Chand:** When you are talking about the second quarter, corresponding last year second quarter to this year second quarter, it should not have much impact on quarter sales because anyhow, last year we have only done 5.5 lakhs of packets in Q2.

**Sumant Kumar:** So it could be 6-7% kind of volume growth for the cotton?

**Mithun Chand:** It might be lower or higher, I have done 5 lakhs packets, I don't have the exact figures what we have done last year second quarter, but it should be in line with it like plus or minus of 5% of that.

**Moderator:** Thank you. We take the next question from the line of Nitin Agarwal from IDFC Securities. Please go ahead.

**Nitin Agarwal:** Mithun, on the rice business, would you think that this season marks a bit of inflation point in the way rice is taken off for us and for the industry, I mean for a long time, the rice is considered to be the next listing after cotton, we never really saw the traction coming through in this crop, any thoughts on that?

**Mithun Chand:** Still we believe in the same thing, because rice is growing more than 43 million hectares across India and the other encouraging point we look at it is that every year, the acreages in hybrid rice are going up. So that itself shows that the hybrid rice is going to be one of the top contributor for the entire hybrid rice. So we are very bullish on hybrid rice, in that way we are working in that direction for the last many years and we are moving in that particular pace.

**Nitin Agarwal:** If you were to use, just sort of do a crystal ball gazing here, what proportion of business could rice be for you in say 3 to 5 years if all goes well?

**Mithun Chand:** So I think rice as such should beat cotton going forward in the next 3 to 5 years.

**Nitin Agarwal:** If you see that happening?

- Mithun Chand:** That is what happening, you are already witnessing it that if you see in the rice in last 3 years, we have grown at more than 40% in hybrid rice, we are one of the top 4 or 5 players in hybrid rice and selection rice, we are leaders in India. So with this segment, if you see the value of growth what we have done this year, we have almost grown by 55% in hybrid rice and 25-30% in varietal rice. So that is very encouraging and we think that we are already on that path.
- Nitin Agarwal:** And if I squeeze last one on this, over the seasonality of rice, all of your sales like cotton get booked in the Q1 on rice also?
- Mithun Chand:** As of now in India, majority of the hybrid rice comes in the first quarter, we are in line with the industry and it should be continued, whereas in the research like the selection rice what you say, like 15 to 20% comes in the second half.
- Moderator:** Thank you. The next question is from the line of Nandan Vartak from Wealth Managers India Private Limited. Please go ahead.
- Nandan Vartak:** Sir, my question is on, the new policies by government, they have allowed contract forming or quality assurance agreements under new policy decision, so will there be any direct benefit out of it for seed industry or Kaveri specific?
- Mithun Chand:** We don't see any direct benefit as such, but it will help the farmer to have more choice and to monetize more on it, I mean, to say like he can have back-to-back agreement that in turn indirectly helps the industry because we are the company that gives one of the best quality seeds which helped the farmer to produce more. So when you have the choice and power, like back-to-back agreement, we can deal in a better way and opt for high value and good quality seeds that in turn will help him and end of the day he will be earning more out of the seeds, so indirectly it will help. The government has taken a very good initiative not only in terms of this thing, but initially Rs. 1 lakh crore fund which will help India in developing agriculture infrastructure especially for the backend warehouses or processing houses and minimizing the middle men in that and they are connecting directly to the seller to buyer, so that itself gives a very good advantage for the farmer. So going forward, agriculture looks very good and these type of government initiative will definitely help agriculture. So in that way, indirectly we should be one of the beneficiaries out of it.
- Moderator:** Thank you. The next question is from the line of Rohan Gupta from Edelweiss. Please go ahead.
- Rohan Gupta:** So Mithun, because of the nature of our business, it is quite seasonal and we are Q1 heavy because of our concentration still on cotton seed, with this such sharp price in vegetables and do you see that the seasonality impact will come down a little bit and that can give a good boost to the overall margin because ultimately your margin cost remained same for Q2, Q3, Q4 and vegetables. I believe is not just concentrated in one quarter, but spread across the year, so with this kind of gain in other crops, do you see that the overall margin improvement is quite possible?
- Mithun Chand:** Yes, if you go back, when talking about the cotton segment, if you see going back to the history, we were zero in cotton and in seed care we were at 75-78% this quarter. And if you recollect discussion in the last 3 years, we are saying that we are reducing the dependency on cotton as we are increasing our market share and volumes in all other non-cotton crops including cotton, maize and vegetables because we still



contribute more in non-cotton segment and as a percentage if you see this year, the cotton percentage year-on-year is decreasing in terms of they are contributing into the total sales and you all are aware that the non-cotton contributes majority of the profitability and in terms of the margin, not on vegetables, even much more than the other field crop, but if you see, it is the growth what we have this year, the EBITDA margins have expanded by more than 120 basis points compared to previous years. So that itself shows that the margins are more in non-cotton segment and as coming back to the dependency on the current quarter, it will continue for going forward also because not only cotton, even maize and hybrid rice also comes in the first quarter. So first quarter will be heavy quarter for us and yes, as compared to second, third, fourth quarters, year-on-year it might improve because we are adding new crops and other crops like vegetables, wheat, maize which all comes to the second half including some sort of a varietal rice and pulses. So this will add to the contribution, it will add in terms of the absolute terms, it will act as 2, 3 and 4 quarters back and definitely going forward also and at present with the Indian climatic condition, we think quarter one will be heavy.

**Rohan Gupta:** In your presentation, you mentioned that Rs. 5 crore sort of revenue from vegetable seeds, so that was in FY20, that was of full year or Q1 revenue of vegetables?

**Mithun Chand:** For Q1, we have given Q1 to Q1.

**Rohan Gupta:** What is the full year revenue last year in vegetables?

**Mithun Chand:** Close to Rs. 20 crore.

**Rohan Gupta:** Rs. 20 crore, so do you see that this current run rate of Rs. 15 crore, it is not impacted by any one-off and we should be seeing close to Rs. 60 to Rs. 70 crore revenue in the current year from vegetables?

**Mithun Chand:** It is too ambitious, but what we are saying is that we had a very good start this year compared to previous year and we are pretty confident that we will end up by at least 40 to 50% gain over the last year. That is a very conservative figure. Our internal targets are much higher, but this is what for sure we will achieve it.

**Rohan Gupta:** So you see that this Rs. 15 crore in the current quarter is driven by some extraordinary gain which will not sustainable and as you are saying that....

**Mithun Chand:** We are not saying that we are not sustaining it, I am saying that we had a very good start because we are ending further, we are a very good start. The figure what I am giving at 40 to 50% growth is a very conservative figure. We have internal targets there, but we don't want to reveal that, but we are in line with what we are. It is not one-off sale, it is in line with our anticipation.

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

**Sarvesh Gupta:** Sir, one question is, in the rice you said that we are in the top 5 players, so if you can give us some sense of who are the other three, four players who are ahead of us?



- Mithun Chand:** The leader is Bayer, then we have DuPont, then other MNCs are there in that, so we are competing with all MNCs in our non-cotton segments. Most of the MNCs are present in those segments.
- Sarvesh Gupta:** No major Indian player is able to develop in this?
- Mithun Chand:** Not many players in non-cotton segment. That is why we stand different from other seed companies. Most of the Indian companies dominate in the cotton segment. We are the only company in India who stick in both cotton and non-cotton segments. We compete with domestic players in cotton seed and we compete with all MNCs in the non-cotton segment and that such in the portfolio even in MNCs. MNCs are present in very few crops, for example, one company is big in rice, one company is big in maize. But at Kaveri, we are big in most of the crops where we operate. That is where we have the highest revenue and the highest network across India. Because of our presence in different crops, we are present across all states.
- Sarvesh Gupta:** And in the cotton segment, you were saying that the market has contracted by may be 5-7% while we have grown by 5-6%, so we have gained market share, so what is leading to this because are they particular hybrids which have done very well for us because there is some sort of a maturity which comes to the efficacy of these cotton seeds overtime, so what is contributing for us because we have been in this market for a long time, but still we are being able to gain the market share?
- Mithun Chand:** Yes, we are gaining market share because our hybrids are doing well. Even though we are present for last 15 years, we are leaders in the cotton for last 12-13 years, we are increasing our market share, it is not the same hybrid which is performing, we have released many hybrids in between and it is a very dynamic process and every year, we launch new hybrids. Based on that, there will be a contribution of new and old hybrids. Going forward, new hybrids will take over the old hybrids. So that is how this strategy works out and we are successful because we are introducing many hybrids which are acceptable by the farmer, so that is the only success mantra to go forward to gain market share.
- Sarvesh Gupta:** So currently, the hybrids that we might have launched a few years back are kind of helping us gain the market share that is what you are saying?
- Mithun Chand:** Yes.
- Sarvesh Gupta:** Sir, my question was that given that again we have a sizable cash on the balance sheet and we have been doing buybacks every year, so is that trend going to continue or is there any change because of the COVID scenario this year?
- Mithun Chand:** As of now, nothing because as a company, we have a policy of keeping that Rs. 300 crore in cash and then whatever we are getting in every year is going to be rewarded or be distributed back to the shareholder. As of now, we think that we will follow it because we don't have any other usage of cash, but again that is subject to the board meeting, board decision, but as of now our intentions are to reward the shareholders.
- Moderator:** Thank you. The next question is from the line of Anil from Renuka Investments. Please go ahead.



**Anil:** First of all, I would like to congratulate the team Kaveri for doing excellent result and giving us an opportunity to see that a company has crossed a Rs. 1000 crore turnover, would cross that Rs. 1000 crore turnover in this quarter this year. My question regarding is with R&D spend that the company has done, what exactly would be the CAPEX this year on R&D and would it be on buildings and equipments or would we focus ourselves on adding new branches or new team of people to our group?

**Mithun Chand:** The R&D spend basically is the spend on the scientists and the recurring expenses. Yes, no doubt, there are some expenses, like for example where we have spent on biotechnology lab that also comes for the R&D, but the minimum of CAPEX because most of the assets are owned by the company, so that is the reason whatever spend is showing and that is the R&D, the majority of the spend goes for the manpower that is the scientist cost or the farm expenses or the recurring expenses. Basically, what we incur doing the agriculture, that is the major spend, no doubt there are minimum of CAPEX.

**Anil:** The second question which I would want to ask you is, regarding the germplasm bank that you have. The thing is, are we now focusing on vegetables or are we looking at these crops and vegetables to be the growth driver for the next 3 to 4 years?

**Mithun Chand:** We are focusing on crops as a segment. We have added vegetables, we were dealing with vegetables for last 20 years, but in the last 10 years, we are aggressively investing on vegetables. That is what which is yielding as right now. So our focus on crops are equal as based on the market size and market that we dedicate our budgets and spends on each crop and we are adding new crops but that doesn't mean that we are leaving the other crops, we are focusing equally on all crops and you want to build a company where we are leaders in most of the crops. That is our strategy and we are trying to do that and if you see in the last previous years, we are also successful in developing that some of the time.

**Anil:** Regarding vegetables, which would be the focus area, tomato, chilly, okra or any other vegetables which we are looking for because due to the COVID thing, the way in which the people are consuming vegetables has changed. Earlier, it was hotel and other industry had a big stump. Now people are not going to restaurant and many other places, what has happened is that trend has absolutely changed, so are we looking at some further hybrids like cauliflower and many other vegetables or just three vegetables which we have right now would be the main focus of our company?

**Mithun Chand:** Correctly pointed out, vegetables as such is a very interesting segment which is going much faster than any other segment and vegetables as a crop is remunerating to the farmer than any other crop, most of the crops. And in vegetables if you take the overall market size, the market, okra, chilly and tomato contributes to the majority of the market share. No doubt, the other crops are like gourds, eggplant, cauliflower, brinjal, carrot, also contributed to these crops, but our main crops are first three, like we started with chilly, okra and tomato and gourds. Now if you see in our presentation, we have even cleared that we are dealing with hot pepper, beetroot, cabbage, cauliflower, everything and some we are importing from other countries. We have a tie-up with the other countries that we are selling India, but in terms of the basic research, we are focusing on the 5 crops, gourds and the eggplant.



**Moderator:** Thank you. The next question is from the line of Amit Vora from PCS Securities. Please go ahead.

**Amit Vora:** My first question is regarding vegetable margins, what would be the number if that is okay for you to share?

**Mithun Chand:** Amit, the margins are better than the field crops, but because of the size, we need to see this year, last year, because of the size it might be lower. It will be improving going forward

**Amit Vora:** On the royalty that we have saved on cotton, how much of that we have retained and how much of that has been passed on to our distributors?

**Mithun Chand:** As of now, most of that is retained with us like majority of the portion is retained with us, some we might give it to the dealer going forward.

**Amit Vora:** One last question is, on the state wise breakup, if there is the number that you have in terms of cotton, how much have we done in each state?

**Mithun Chand:** Right now, I don't have the number as such, but it is in line with the last year numbers, apart from Maharashtra where we have done better, in Maharashtra we have grown, but other markets all remained same because Gujarat is down by close to 15 to 18%. Northern India, we have done well, but all other states remained same.

**Amit Vora:** We would have retained our market share in Telangana or have we lost it to any other places?

**Mithun Chand:** No, we have retained our market shares in Telangana, but if you see the acreages in Telangana, both maize and cotton acreages, both are down. If you talk about maize, the maize acreages are down by more than 50% in Telangana and cotton, it is at least down by 15% to 20%, so we have retained our market in most of the parts where we operate.

**Moderator:** Thank you. The next question is from the line of Sanket Baheti, who is an Individual Investor. Please go ahead.

**Sanket Baheti:** I wanted to ask you what is the company strategy to expand the volume going in next 2 to 3 years and how does the company plan to use the cash on hand as of June?

**Mithun Chand:** We have the policy like, in terms of the strategies as I mentioned earlier, we want to focus on all crops and we want to increase our market shares in majority of the crops and we are spending a lot in improving our product portfolio. We have a huge set of product pipeline and we are focusing on the growth rate as like what we have achieved last year and as a leader we want to grow better in the market. In terms of the cash in the last 3 years, we have distributed or rewarded to the shareholder. As of now, our policy is intact to reward to the shareholder, but again subject to the board approval.

**Moderator:** Thank you. The next question is from the line of Hitesh Takkar who is a Retail Investor. Please go ahead.





**Hitesh Takkar:** Very brief question in terms of our strategy with the export market, if you could shed some light on which are the export markets that you target on our current sort of share of exposure in the overall phase and the margin and profitability over there and how do you see that trend emerging going forward?

**Mithun Chand:** We are doing close to Rs. 20 crore exports, compared to FY19-20, it remains same. We have slightly grown in FY20, but this year we have plans of exporting more, but again we need to see about the condition, how the seed movement will happen between these countries, but we are very bullish on the exports, we are not concerned about year or two with difficult condition, but going forward we are focusing more on the export market because as we have huge germplasm and we have many acreage in the portfolio. If you take over the number of hybrids what we deal is one of the highest in the industry across the world, the number of hybrids what we deal with. So we have many hybrids which are suitable for many areas and climatic condition. So we are initially trialing those countries, those countries where the climatic conditions are suitable for India or in line with India, so we are at now presenting targeting 7 countries, but definitely going forward, this should be at least grown in these countries. In the next 5 years, definitely we see at least like doubling or more than double in terms of the exports, but we have started this 2 or 3 years back, but you are aware that it takes a time process to register hybrids in different countries as we are importing. As they are exporting, we need to register there, that is where we are taking time, but we are pretty confident that we had a good set of hybrids which can definitely add some value to our earnings.

**Hitesh Takkar:** Sir, as you mentioned in the non-cotton segment, your company was like DuPont. So in terms of margins, do you see export markets providing a better margin when compared to the domestic sales? What would be the differential in terms of the margins that you enjoy there?

**Mithun Chand:** I think both the margins, export and domestic are declined with it. In some crop, domestic margins are much better than export because it is we are in initial stages, we are not commanding much, but once we have a foothold there, then we can command the price there, but definitely even export we have good margins in that.

**Moderator:** Thank you. The next question is from Harish Kumar Gupta, who is an Individual Investor. Please go ahead.

**Harish Kumar Gupta:** Sir, I have one query, like I think you mentioned that your turnover from rice will cross cotton sale, so is it true or like I misunderstood?

**Mithun Chand:** I couldn't understand, it is true, but yes, our plan is to cross the cotton segment revenue in the next 5 years and we are in line with it and we are very confident that rice will be the major contributor to our revenue going forward.

**Harish Kumar Gupta:** And meanwhile, cotton seeds revenue also will keep increasing, right?

**Mithun Chand:** Yes, but not in line with rice, but cotton will increase to some extent, but rice we have very good plans for rice.

**Harish Kumar Gupta:** Obviously, like then only it will cross...

**Mithun Chand:** Rice market is a very huge market and we have many pipeline hybrids.



**Harish Kumar Gupta:** So margins in rice seeds is higher than cotton seeds or lower?

**Mithun Chand:** All the margins of the crops are higher than cotton, non-cotton segment is higher than the cotton margins.

**Harish Kumar Gupta:** So basically, it is fair to assume that we may have EBITDA growth more than 30% CAGR in next 5 years or so?

**Mithun Chand:** I don't comment on that but if you see, definitely the margins should improve, and it is again what you are saying for the last couple of years. Going forward, as we increase our revenues, as the percentage of revenue in non-cotton crops, definitely the EBITDA margin should also increase.

**Moderator:** Thank you. The next question is from the line of Bharat Shah from ASK Investment Managers. Please go ahead.

**Bharat Shah:** I could join little late after 10 minutes when the call began, so I may have missed it, but two areas, one in Eastern side, what has been done to bring such an excellent control and secondly, anything specially in other income part or it is just a financial income?

**Mithun Chand:** I just missed your first question.

**Bharat Shah:** Sir, I was saying that on expenses, there has been a very decent control, so just wanted to know what was done on that front and as far as other income is concerned, is that basically financial income or is that anything else?

**Mithun Chand:** I will first answer the second question, the other income part, basically the financial income which is generated by investing into the debt front, the interest income what you can say because we have cash on book, so some got matured in the first quarter that the income what we got in the other income, basically the interest income what we got. And coming back to the first question, in terms of the other expenses, even the royalty shown as the other expenses. As of this year, the royalty is 0 as against Rs. 90 last year was that the major impact. If you see the other expenses, we are down by Rs. 20 crore out of which Rs. 14 odd crore is from the royalty portion itself, the other Rs. 5 or 6 crore from the travelling part because travelling was very minimal in that particular time, so we have saved some amount in the travelling part.

**Bharat Shah:** And on the longer term, if we build on export, if we build on non-cotton seeds and if we get into more and more rabi season related supply, would you think that the skew of the seasonality, we'll be able to gain decent control over say, 5 years?

**Mithun Chand:** I don't think so, but definitely on an absolute term basis, second, third, fourth quarter will add more than the present years going forward. But in terms of the overall dependency as a percentage of sales in the first quarter will remain same because in India most of the crops comes in the Kharif part, for example, you take cotton or you take rice or you take maize or part of any of the crops, majority of that is shown in the first quarter, but definitely the first quarter will have a more weightage, but in the absolute terms, all the segments, like two, three, four will definitely have a higher value and vegetables coming into picture, wheat coming into picture, definitely as a percentage quarter one should be slightly lower, but I don't think that it will be a significant impact on quarter one as a percentage.



**Bharat Shah:** It is not even our 5-year period?

**Mithun Chand:** Not as such because we are growing in maize, rice and other crops which are not in the first quarter.

**Moderator:** Thank you. Next question is from the line of Abhijit Akella from IIFL. Please go ahead.

**Abhijit Akella:** Just one followup. Regarding the cotton market, you mentioned that there has been a decline of 6 to 8% this year, if you could just quantify what the market size stands at in terms of packets and how are the leading players done, other than Kaveri is there anyone else who has gained share or has everyone had difficult year?

**Mithun Chand:** I think in terms of the growth, we might have grown better than any other companies. If you take the companies, hardly one or two with a small base have grown, but not with the bigger base, most of them had lost market shares in line with the markets.

**Abhijit Akella:** And what should the market size be right now?

**Mithun Chand:** It should be on the same like 4.5 crore. Last time, it was around 5 crore packet market, it should be in between like 4.3 or 4.5.

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

**Rohit Nagraj:** Sir, in terms of our guidance, last quarter we had said 15 to 20% overall growth, so now it is reduced to 10 to 15% given that the cotton will not grow as per earlier expectation of 10 to 15%, is it right?

**Mithun Chand:** So if you see the first quarter growth which is the majority contributor for the overall sales, we have grown close to 15% in terms of the revenue and 20% at the bottomline, more than 20%. If you see our guidance what we have given is that 10 to 15% growth at the topline and 15 to 20% growth at the bottomline, so we are at the higher end of the projection what we have given. Just if you see that even though we have not grown much in cotton, but we have grown better than the guidance in the non-cotton segment, so that is the reason our revenues are up close to 15%.

**Rohit Nagraj:** Sir and what is the contribution from new products in cotton portfolio?

**Mithun Chand:** I don't have the figures right now, but it is there in the presentation which we have given, which is submitted to the exchanges

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

**Nitin Awasthi:** Sir, just to take forward the export question asked by an earlier participant, because of the time it takes for a company in the seed business to gain a foothold in a country, could you just highlight the major countries we are focusing on and where we stand as of today in those countries?

**Mithun Chand:** Right now, we have started dealing with seven countries that the exporters are small to big in size with exports to these countries, but there are some other countries we



are in the registration process, but the majority of the countries are, we are dealing with the neighboring countries, especially like Bangladesh, Nepal, Pakistan and the other South Far East countries like Thailand, Indonesia, Philippines, Vietnam. These are the countries where we are dealing in. We are dealing with countries where the major crop is like maize or rice. We are not dealing with the countries where the cotton is there, because we deal with genetically modified crop that requires another set of permissions, so we are dealing with countries where the cropping pattern is similar with maize, rice and vegetables.

**Nitin Awasthi:** Any major African countries you're focusing on right now?

**Mithun Chand:** We have sent to the African countries also, we have sent to South African countries as well, back in Tanzania, we are still in the initial stages, and we have also sent to Ghana.

**Nitin Awasthi:** And just on the vegetable front, how much of this growth that we saw this very excellent growth that we saw, was the contribution of the existing portfolio doing well and how much of it was introduction of new products?

**Mithun Chand:** If you see the growth, majority of the revenues are from the products which were introduced in the earlier years. In the seed industry, nothing will gain in the first year, it takes at least 2 to 3 years to get at least a meaningful sale to begin with. So in rabi, which we went into a couple of years back.

**Nitin Awasthi:** And everything that you have mentioned in your presentation, all the new vegetables, they will be introduced in the current year, if I am not wrong?

**Mithun Chand:** Some might be in the last season, some in this season.

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

**Kartikeyan:** Two questions, one is, what is the collection seen like right now, I see the cash position is good, but can you please clarify on the collection situation?

**Mithun Chand:** Yes, if you recollect the call what we have said that because of the government intervening on most of the produce is bought by the government and the rural economy, they have realized some money for the commodities and other part is that as a company, we have a very good brand and this year, we were able to collect more money as a company. So in that way if you see in an overall year-on-year basis, our collection is much better than the last year. We are collecting more and we don't see any issue in terms of the collections or in terms of the cash.

**Kartikeyan:** Sir, the second question is on this BT 3, how effective are these seeds because we are producing illegally, does that impact their quality in anyway, any thoughts on, how effective they are on field? Are they able to actually resist, like to say it, some thoughts on that?

**Mithun Chand:** Yes, it is a mixed thing, some seeds are performing well, and some seeds don't perform at all. And as a farmer, it is always better to go for a legal seed because first of all, the hybrids are nonperforming hybrids and the second thing is that they are



not reliable, so it is a very mixed thing and most of the farmers lose money in the illegal cotton.

**Kartikeyan:** And what price would they be selling at?

**Mithun Chand:** They sell at any price because the quality of seed is not good, the range is between somewhere like Rs. 500 to Rs. 700.

**Moderator:** Thank you very much. That was the last question in queue. I would now like to hand the conference back to the management team for closing comments.

**Mithun Chand:** It has been a pleasure interacting with you all over the call. We thank you for taking the time out and engaging with us today. We value your continued interest and support. If you have any further questions or you would like to know more about the company, kindly reach our investor relation desk. Thank you.

**Moderator:** Thank you very much. On behalf of Kaveri Seed Company Limited, that concludes the conference. Thank you for joining us, ladies and gentlemen, you may now disconnect your lines.