

06<sup>th</sup> September 2017

**Bombay Stock Exchange Ltd.,**  
1<sup>st</sup> Floor New Trading Ring  
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**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 2018 Results Conference Call on  
Wednesday, 09<sup>th</sup> August 2017 - Reg.,**

Please find attached herewith Transcript of Kaveri Seed Company Limited Q1 & FY 2018 Results Conference Call made on Wednesday the 09<sup>th</sup> August, 2017. 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**



*[Signature]*  
**C. MITHUN CHAND**  
**WHOLE TIME DIRECTOR**

Encls: a/a.



## **Kaveri Seed Company Limited**

### **Q1 FY18 Earnings Conference Call Transcript**

#### **August 09, 2017**

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**Moderator** Ladies and gentlemen, good day and welcome to the Kaveri Seeds Company Limited Q1 FY18 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 after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing \* and then 0 on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vikram Rajput from CDR India. Thank you, and over to you, sir.

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

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

We will begin the call with opening remarks from Mr. Satish, who will share updates on the market environment and take you through the strategic imperatives of the company. He will be followed by Mr. Vijay, who will share his thoughts on the performance of the company during the review period. We will then have the forum open for an interactive question-and-answer session.

Now, I will invite Mr. Satish to share his views.

**G.S. Satish** Thank you, Vikram. Good afternoon and a very warm welcome to all of you. I will start by giving you the industry backdrop and then spend time on our performance.

This year has started on a strong note for the sector as well as the Company. Monsoon arrived on time, sowing happened earlier than last year and sowing was in time except for few states, There was no major shortage in any seed for the farmer and commodity prices were reasonable. In terms of Kharif sowing, Cotton

showed the highest sowing as compared to last year whereas maize, jowar, oilseeds and soybean declined. For the seed industry, seed sales of cotton and selection rice reported strong growth, while hybrid rice and bajra witnessed moderate uptick and maize and vegetables reported a decline.

Talking specifically about cotton, this has been one of the best years for cotton. Sowing happened much earlier than last year in Central and South India and the North cotton market growth was much higher than all India on the back of good crop last year. What has been unfavorable in the market, is that market share of smaller companies in South India went up and use of Illegal Herbicide Tolerance was found in few states. Maize hybrid market dropped as compared to last year due to shifting to other crops and less than adequate rainfall in key state of Karnataka. Telangana and Karnataka constitute more than 1/3 of organized market for Kharif Hybrid Maize seed sales. Further, farmer down traded in few states due to tough market conditions. We are also seeing increasing government intervention at local level.

Coming to our performance, if we look at specifics of each crop performance for Kaveri, in Q1 FY18 we have sold 6.5 million cotton packets this year as compared to 5.4 million cotton packets last year, a 27% growth, reflecting our cotton leadership. This was enabled by significant gain in Maharashtra and Gujarat. We have been progressively expanding footprint outside of Telangana/Andhra Pradesh and Karnataka; and have increased R&D effort in North. What is heartening is that new product contribution has been up from 7% to 11%, where Money Maker ramp up has been received positively. We launched 2 new cotton hybrids and 2 new cotton hybrids are under demonstrations with farmers.

As planned, Kaveri Seeds' non-cotton business continues to strengthen. Hybrid rice stand at ~1,700 metric tonnes. Last year we have more than estimated returns in Q2 and hence there is likely growth in hybrid rice if we consider H1. I am happy to state contribution of new product went up from 1% to 16% of volume in hybrid rice. Selection rice volume grew by about 40% on back of the decision to produce major quantity in Kharif season and additional plant capacity. Bajra volumes are under pressure but it is worthwhile to note that new product contribution has gone up from 6% to 17% of volume. Coming to maize, as I mentioned earlier the market has been challenging where Karnataka degrew by 27% and Telangana by 21%. Telangana and Karnataka contributed to nearly 2/3 of KSCL's Kharif maize sales in Q1 FY17. Another contributing factor for decrease in Maize volume was reduction in sales to government programs. In Q1FY18, maize volumes declined from 6,600 metric tonnes to 5,400 metric tonnes.

We continue to enhance our farmer-centric portfolio leveraging our cutting-edge R&D program, launching products which produce higher yields under minimal inputs and stress environments. We launched 3 new hybrid in maize for Kharif season, 2 new hybrids in maize are to be launched in Rabi season and 2 new maize hybrids are under demonstration. We have 4 new hybrids in Bajra in Kharif season under demonstration. We have launched 1 new hybrid in hybrid rice and have launched 4 new products in selection rice; 1 new hybrid in hybrid rice and 2 new products in selection rice under demonstration.

If you look at slide 16 of our presentation, you would have noticed we have built a future ready organization and the pillars of which have been clearly identified. We have been building a strong non cotton business, reducing dependence on cotton - evidenced by increased revenue, higher product launches and notifications. In line, we have been nurturing vegetables business where we have demonstration of more than 50 different products in farmer field. We have built exclusive vegetables

sales team of more than 25 dedicated employees from 4 same time last year. We have increased area under vegetable seed production in this Kharif season for catering to FY19 sales plan.

The focus has also been on spreading geographical footprint. We have focused on strengthening distribution network beyond South and Central India, to Northern, Eastern and Western geographies where we have seen for Bihar more than 50% growth, for Jharkhand more than 100% growth, for Orissa more than 50% growth, for West Bengal more than 200% growth, for Gujarat more than 50% growth and for Maharashtra more than 50% growth.

We have appointed new R&D head, significantly strengthening the core team. This is in addition to the appointment of Head - Supply Chain, Marketing heads for Field Crop and Vegetable in last two years. Further, we have purchased 24 acre land in Telangana for R&D and future expansions. We are improving our farmer connect with increased number of demonstration of pre commercial products. We are improving our channel engagement by mapping of retailers, focus on key retailers and higher number of meetings with channel partners. I spoke about our supply chain efficiencies on the last call. Will share some updates on the same. We have completed cotton planting in four strategic locations as per plan, completed Kharif selection rice planting, witnessed improved recovery rates of selection rice in our new Mulangoor plant and have been able to reduce raw seed failure compared to last year in Maize and Cotton.

In terms of industry outlook, rainfall has started to show decline in few states which might impact overall yield. Global cotton acreage has gone up which may have an impact on commercial prices. Tamil Nadu, which is a late Kharif market, is challenging due to low rainfall. Rabi is expected to be good for mustard, gram, wheat and maize. Vegetables prices are on an upward swing and industry expected to see growth for balance of the year. For us, Rabi maize and export volumes looks positive.

Kharif Cotton seed production crop is looking good. Rabi seed production would be challenging if rainfall deficit continues in South

We remain on track to report an enhanced performance profile in line with the transformation of our Company. We have had higher launches, demonstrations, notifications and increasing contribution from newer products. We have a stronger core team with a mandate to better our multi-crop portfolio, superior R&D, strong product launch capabilities, supply chain efficiencies, farmer relationships and comprehensive distribution network; all of which are cornerstones of a sustainable platform for long term success. We believe we are at the forefront to capture the sector opportunities going forward. As always, our eyes are set on effecting profitable revenues, a strong ROCE profile and strengthen cash flows.

With that, I invite Vijay to take you through the Q1FY18 performance.

#### **G. Vijay Kumar**

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

In Q1 FY18, Standalone Revenues were up by 20% to Rs. 590.6 crore as against Rs. 493.9 crore in Q1 FY17. Q1 FY18 revenues grew on account of strong cotton volume growth. Q1FY18 EBITDA increased by 29% YoY to Rs. 211.2 crore, translating to an EBITDA margin of 35.8%. Q1FY18 PAT increased by 31% YoY to Rs. 202.4 crore, translating to a PAT margin of 34.3%. Our profitability has been

impacted by inventory write off of Rs. 19.2 crore due to discarding of inventory which did not meet quality standards. Primarily driven by cotton inventory which did not meet germination and trait purity standards. Q1FY17 write off was of Rs. 26.6 crore. Majority of the write offs have been accounted for and FY18 write offs expected to be lower than FY17.

Coming to the Standalone Balance Sheet, debtors stood at Rs. 501.6 crore as on June 30 2017 whereas it was Rs. 69.8 crore as on 31st March 2017. Total cash on books stood at Rs. 658 crore as on June 30 2017 as compared to Rs.649 crore as on 31st March 2017. As a Company we continued to judiciously and cautiously create long term shareholder value. The Company in July 2017 completed buyback of 2,962,963 fully paid-up shares of the face value of Rs. 2 each at a price of Rs. 675 per share for an aggregate amount of Rs. 200 crore. In Q1FY18, the board has declared an interim dividend of 150% (Rs 3 per share of Rs 2 each) on equity share capital of the Company. We firmly believe in Kaveri Seeds' long-term growth prospects and are committed to distributing capital to our shareholders. The Company's strong balance sheet and cash flows enable us to reward the shareholders, and that is also part of our corporate philosophy.

The Board approved the purchase of land admeasuring 24.25 Acres at Devakkapally Village, Bejjanki Mandal, Siddipeta District, Telangana, which will be used for R&D and future expansions of the Company. The total sale consideration of Rs.15.00 crore. including the registration and development expenses.

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

- Moderator** Thank you very much, sir. Ladies and gentlemen, we'll now begin the question-and-answer session. We have the first question from the line of Niket Shah of Motilal Oswal Securities. Please go ahead.
- Niket Shah** I had two questions. One is, if you can just tell me what has been the write-offs of sales return in this quarter versus last year? And what do you think for the balance nine month would be that number?
- G. Vijay Kumar** This first quarter Rs. 19.2 crore written-off, whereas last year it's at Rs. 26.7 crore in the same period Q1. As I mentioned in the presentation, going forward is much lower compared to last year. Lot of write-offs were completed now.
- Niket Shah** And the other thing, just wanted to ask on the new subsidiary that you've just decided to float up, which is a 100% subsidiary. What exactly the thought process here in terms of business model that the subsidiary would unpick?
- G. S. Satish** Yes. Satish here. Niket, as we start gaining significant market share in most of the crops, so we have been thinking about where the next level of growth is going to come from. If you look from the market which is there, there are different segments which exist in most of the crops. there is a high-end, mid segment and a low segment and typically each brand is associated with a certain segment, Kaveri as such has been positioned as a premium brand with the farmers and with the channel partners. there is a significant amount of market, which is left untapped, which is the mid-price segment. So this new subsidiary is basically addressing need for the mid-price segment. As you have seen that, we have a very robust R&D and we have many products, which may not meet the Kaveri sort of positioning, but they can meet the mid-price segment. So this subsidiary from a

strategic perspective is also to gain market share overall by addressing the mid-price segment.

**Niket Shah** So you will basically develop new hybrids, which will cater to that kind of pricing basically?

**G.S. Satish** Within the pipeline, we'll identify which of the products will go into the Kaveri brand and which one will go to the mid-price brand.

**Niket Shah** Got it. And the prices of cotton are expected to come down given the fact that this is going to be a very strong year in terms of output. What's your sense in terms of next year, if the price is going to really come down, is it going to be slightly more tougher to see a significant acreage growth next year on the current year of cotton base?

**G.S. Satish** Niket, it is bit early to predict about how things are going to move forward the next year. Currently, I think both in terms of the global, plus the domestic, we need to really watch out for. At this point in time the crop, if you look at Cotton e crop compared to soybean or maize, cotton still looks to be a much better crop, given the stress, which has happened in the last 15 days. So one is from a perspective of commercial price, but the other thing is also about how much do farmers make, how cotton is compared to other in terms of stable income. So it's quite early for us to really see where the market is going to go for next year. We really need to watch for another six months to really see how the prices as well as the yield of different crops finally come out and the net income, which the farmer gets.

**Niket Shah** And what will be our growth in AP market for us, AP, Karnataka market in Q1 versus last year Q1 for cotton?

**G.S. Satish** They are in the double-digits, but a shade less than the market growth, which has happened.

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

**Nitin Gosar** Sir, there was one commentary in the presentation, which talked about Rabi maize acreage could go up or the export volumes looks positive for the Rabi season. But now if one were to keep in mind the context, this maize particularly is very strong and Rabi for the Southern market and the Southern market is going through stress right now in terms of monsoon?

**G.S. Satish** Nitin, for the Rabi maize market, there are two key markets, one is Bihar, the other one is Coastal Andhra Pradesh. Bihar market is a much bigger market than the Coastal Andhra Pradesh market. So our reference was mostly for the Bihar market. We expect the Bihar market to continue to be strong and we are hopeful that the rain situation will improve in the Coastal Andhra Pradesh also. Bihar, the rains have been quite good, so there should not be any reason for the maize acreages coming down in Bihar for the Rabi season.

**Nitin Gosar** And sir, the follow-up question on the earlier participant who asked on the subsidiary business. Do we really need to float a subsidiary to cater to this mid-price segment because there are chances that we may have the same sales person, who will be going to the same distributor with two sets of package, one would be for premium and one would be for mid segment? So having a two different company may not really serve the purpose?

**G.S. Satish** Nitin, you are right. I think it's very difficult for a company to sell both. The intention is to have separate sales team for both the segments.

**Nitin Gosar** Okay. So we'll have a parallel structure, if at all this business were to scale up, we'll have a parallel structure to cater to the overall this mid-price segment?

**G.S. Satish** Yes, Nitin, you are right.

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

**Abhijit Akella** First, just a comment on the statement you made regarding the adoption of illegal seeds, roundup ready seeds in some parts of India. How significant is this adoption and do you see this as a threat, I guess, branded cotton players for next season?

**G.S. Satish** Abhijit, our estimate of current adoption of illegal would be in low-single digits in only few districts of Maharashtra and Telangana. We have been educating the government about this development and the government and other institutions are aware of this, and they have started to look into this matter. We are awaiting for specific intervention from the government to curb further spread of this illegal cultivation. The government at the local levels have also become very active. We have seen stringent actions taken by the Telangana state on the issue of chilies last year. So we are very hopeful that the government is going to take strict measures to curb further adoption of this technology. We also need to see how good is this performance to see whether that would be of any threat. For near-term, we don't see that it is going to be a major issue or dampener for our growth in the coming few years.

**Abhijit Akella** And second, you mentioned that the market share of smaller companies has gone up, so what's the reason for that? And what would their market share be? And also if you could just point to the total size of the market this year, the cotton hybrid's market?

**G.S. Satish** Currently for the season, the returns are still coming in, so last year to this year, we expect growth of shade more than 20% in the branded business of Bt cotton. So the advent of smaller companies has been more in the state of Telangana and Andhra Pradesh. It's basically that they are giving lower pricing to the trade as compared to the market leaders.

**G. Vijay Kumar** And they're also catering to the mid-segment and low-price segment of different varieties of seeds.

**Abhijit Akella** Understand. And just one last question and I'll get back in the queue. Last year after 1Q, you did not really have much contribution to the full year profit from the subsequent quarters. So this year given what you're seeing, is there any significant spillover of cotton into 2Q and so do you expect a better contribution over the last three quarters? And also what's the outlook for other income in FY18, it was a bit soft this quarter only about 4 crore or so, but how much can we expect it to be for the full year? Thank you.

**G. Vijay Kumar** If you're coming back to the cotton spillover, sales returns yet to conclude and once that comes clarity will come to us. Again, Karnataka and other markets, rainfall yet to start then we know about what will be happened in Q2. Coming to the other income, we are expecting this year, it will be around Rs. 20 crore plus overall including this first quarter income.

**Abhijit Akella** Okay. And that would be down from around 34 crore last year, right. So why those..?

**G. Vijay Kumar** Typically, the other income always depends upon the maturity and the encashment. You have to see the notional income also annually is increasing. So we have two things, one is whatever we have encashed now that we are booking into the other income. If the investment is continuously there, whatever is NAV value is increasing, we are showing it as other comprehensive income, as per the IndAS standards.

**Moderator** Thank you. Our next question is from the line of Sanjay Satpathy from Ampersand Capital. Please go ahead.

**Sanjay Satpathy** Yes. Sir, you had given some guidance about your vegetable seed, which I saw 20 odd crore. Can you just tell us a bit more about it for this year as well as next year?

**G.S. Satish** Yes. Sanjay, vegetable is a very small part of our business, but we've been investing on this business. Q1 this year has not been very encouraging due to the decrease in the chilli acreages, which actually shifted to cotton. But we are expecting significant growth for the next three quarters. We still have the other crops, which is still to come in and the vegetable prices are on upswing, so we expect the farmers to come back strongly in the next three quarters. So we're expecting a significant growth albeit on a small base of vegetable for this year. The team is in place. The products are just coming in. So we are expecting revenues to grow to double-digits for sure for this year and hopefully grow at a significant pace from the coming year.

**Moderator** Thank you. Our next question is from the line of Deepan Shankar from Trustline Portfolio Management. Please go ahead.

**Deepan Shankar** Sir, just want to understand how has been the production of seeds in FY18. And also, any comment on the cost of production?

**G. Vijay Kumar** Production of seeds are going on well as per the FY19 plan, we are doing well. As on date monsoon is also reasonable. Coming to the cost of production last year due to reasonable monsoon, the recovery rate is good. So hence, there is a 3.5% reduction is there on the cost of goods sold.

**Deepan Shankar** So how has been the debtors' position, so hope you are not foreseeing any collection issues this year?

**G. Vijay Kumar** This year cash sales and collections are very good.

**Moderator** Thank you. Our next question is from the line of Ranjit Cirumalla of B&K Securities. Please go ahead.

**Ranjit Cirumalla** Just in the opening remarks, Mr. Satish had mentioned that there has been an increase in intervention by the local authorities or state government, just wanted some more light on to that statement?

**G.S. Satish** Hi Ranjit, few instances have been there, where the state governments have become quite active in intervening in some of the seed issues. Some are related to banning some other companies because of low performance of their hybrids. There have been instance, in few states, where the state government took a unilateral decision of preventing the seed companies to sell selection rice, whereas it was

clearly clarified by the central government that that is not right on their part as per , the Seed Act. So there have been pressures from the local, state officials for some of the compensations. So we've been seeing quite a bit of active intervention from the state government. In the state of Maharashtra just before the season, for the industry there was an issue of refuge seed also. So those are few instances, which I can tell that there have been some in terms of botheration for the seed industry.

- Ranjit Cirumalla** Sir, did we get impacted by these things as a company?
- G.S. Satish** No. We have taken adequate measures. At this point in time, we didn't see much impact. There was marginal impact on our sales in few of the states.
- Ranjit Cirumalla** Okay, sir. And the second question is, can I get a split of 6.5 million packets across at least the top three states?
- G.S. Satish** We are still waiting for the returns to come in. So hopefully once the returns are done, so we will come back to you in terms of specific states. But please also understand that these are sensitive information, which is open for competition. So we would possibly be limited to the amount of sharing of information on this nature.
- Ranjit Cirumalla** And sir, one last question. We have seen as far as the Maharashtra is concerned, we have been a big gainer because of the ban, which you have just spoken about. So just wanted to get a sense whether that kind of a market share is sustainable or we will see the player returning back next season?
- G.S. Satish** The growth in Maharashtra should not be attributed to the development, which happened. Fundamentally, our products were the top one or two for the farmers. So we were poised for a significant growth in Maharashtra. We do expect that we will continue the market share, which we have gained in Maharashtra. We still will be among the top two companies in Maharashtra and we are hopeful that we'll be able to sustain the volumes there.
- Moderator** Thank you. Our next question is from the line of Sanidhya Daga from Athena Investments. Please go ahead.
- Sanidhya Daga** My question is regarding the Kaveri market share in terms of cotton. So if you see from FY15, it's really fallen from 18%, it fell to 13.8% and now it's marginally increased to 14.4%, but is nowhere close to what it was in '15. So what are the thoughts on that? And any color on what we can see going forward and how much of a market share can we expect to gain back in the coming few years?
- G.S. Satish** So yes, we had an 18% market share in '15-'16, it's been going up in the last few years. Last year was a tough year for cotton in spite of that our market share went up and this year, once the final numbers are there in terms of industry, we are hopeful that we will gain market share even this year. What needs to be recognized that we do not participate in the North market itself. So our market share if you just take into consideration the Central and the Southern part, it's much higher than the numbers which are there because we give market share for the entire industry itself. We are putting more effort into penetrating the North market. We started specific breeding program for North few years back. We are increasing our resource for the North breeding program and we expect our products to come in to address the North market because it is a very different segment as compared to the South and Central part. So we are expecting some volume growth to come from North. Product portfolio is quite sound for the Southern and Central part of the

market and we expect to further gain market share in the coming years in this part of the country.

- Sanidhya Daga** Right. So any number that you can give firstly in terms of Northern market, what is the kind of market that we can actually capture and overall what is the number that we're looking at for '18 and '19 FY?
- G.S. Satish** It's too early to give a number from North because I think the products are still under evaluation. So we will take some time to really understand our products and competition and it is bit early to give any direction on that.
- Sanidhya Daga** So are we going to enter the North market this year itself?
- G.S. Satish** It will be possibly not next year, the year after.
- Sanidhya Daga** And just one thing on there was a comment, which said that vegetable seeds and you linked it to chili acreages shifting to cotton. So just wanted to understand the picture there because how that would be related to our vegetable seed performance?
- G.S. Satish** As I said, our vegetable is a very small business, so we would not be significantly impacted since our last year revenue was in single-digits. So it's not a significant part of our business at this point in time. So we would still be able to possibly sell the same volume of chilies what we did last year.
- Moderator** Thank you. Our next question is from the line of Shashank Kanodia from ICICI Securities. Please go ahead.
- Shashank Kanodia** Sir, firstly there was some reported crops loss in the state of Gujarat because of the excessive rains. So how does it impact this either in terms of receivables or sales return?
- G.S. Satish** The Gujarat market is one of the earlier markets and the season was already over. So we had already taken the sales return back from the distributor. Yes, there have been some disruption of getting the material back from the distributors to our warehouse, from our warehouse to back to our plant here, but the stocks are all secured. The crops which have been damaged to that extent the farmers may likely go for some other short duration crop in place of cotton.
- Shashank Kanodia** Okay. So sir, does it impact our receivables at anyway?
- G.S. Satish** No. We have collected most of our money from Gujarat and so that's not a risk, which we are carrying at this point in time.
- Shashank Kanodia** Okay. What according to you is estimate of loss in crop area in Gujarat for this matter?
- G.S. Satish** Our estimate is it could be in the range of 10% to 15%.
- Shashank Kanodia** Okay. And sir, secondly on the Pink Worm right, so recently there have been some reports of occurrence of these pest attacks. So on the technology side we wanted to understand, so is it a shortcoming of a hybrid variety or is it a shortcoming of technology BG-II, so how do we relate?

**G.S. Satish** It is not specific to hybrid, I think it's more on the technology. And yes, we have seen the outbreak of Pink Boll Worm much earlier than what was there in the past years. But the government has been more active as compared to the past, so there have been lots of extension and awareness programs, which they have done. The crop protection companies also have taken a massive awareness campaign and the farmers are more educated than what they were in the past. So what we are seeing is a better pest management control from the farmers this year, as compared to the past. So I think that is the way to go about for the farmers to control the Pink Boll Worm in future.

**Shashank Kanodia** Okay. So this cannot be controlled through a hybrid technology, right. So can it be controlled?

**G.S. Satish** No.

**Shashank Kanodia** Okay. Sir, does BG-III variant of Monsanto treats that?

**G.S. Satish** I'm not aware of it. I need to check with them if it does.

**Shashank Kanodia** Okay. And sir, lastly can government only responsible or any of the seed companies responsible for such kind of pest attack?

**G.S. Satish** As per The Seed Act, it is not part of the liabilities for the seed company.

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

**Chetan Thacker** Sir, on the export side, wanted to understand what is the strategy going forward over the medium term?

**G.S. Satish** Chetan for the time being, our exports are only restricted to Bangladesh. We have a plan to go beyond Bangladesh. So were in the process of getting a person on board who will look after our international business. He is already onboard just couple of weeks back. So we're just going to spend some more time in developing our strategy of the international business. once that is in place, probably we are in better position to tell you in terms of which countries, which crops and what numbers it likely to look at. So it is a bit early because he just came onboard few weeks back.

**Chetan Thacker** Sure sir. Sir, on the distribution side, which are the states, where you see distribution is weak and where you can ramp up and get quick gains?

**G.S. Satish** Some of our growth states, which I mentioned earlier, there is still room for us to correct our distribution. Our penetration numbers are much lower than ideal benchmark. The entire Eastern part of the country, the Northern part of the country and Rajasthan, so these states our distribution is not yet up to the mark what we have it in AP, Telangana and Karnataka.

**Chetan Thacker** Sure sir. And for their major crops, which we would focus would largely be rice, maize and vegetables, is that correct?

**G.S. Satish** Rice, maize, vegetables, cotton and bajra in North.

**Moderator** Thank you. We will take our next question from the line of Nitin Gosar from Invesco Mutual Fund. Please go ahead.

**Nitin Gosar** Again, going back to the question on subsidiary, so we are going to set out a subsidiary to cater to mid-price segment. Can we further categorize it to which crop we are restricting ourselves and which states we are targeting to?

**G.S. Satish** The key crops, which we have identified are cotton, maize, rice, and bajra. So if you really look from the market segments,, cotton, maize and rice, there is a significant market, which is available for the mid-price segment. So these three focused crops will basically be the first level of intervention with this new subsidiary.

**Nitin Gosar** And the idea is to one is withstand the competition, which distributors or which second hand type of companies typically provide with regard to higher working days to the distributors, you want to combat with those guys and that's why you are trying to float out subsidiary on the same?

**G.S. Satish** It's not a channel. There are the category of farmers itself, who look out for the mid-price product. So this would address those segments, which currently we are missing out.

**Nitin Gosar** And is there a number one can think of like the premium market that we are catering to what could be the ballpark number and the mid-segment, which we are planning to cater to what could be the ballparks number?

**G.S. Satish** Nitin, I think we need to run some numbers, we will get back to you once we have some firm numbers on these.

**Nitin Gosar** Sure. Got you, sir. And another question was with regard to the price reduction. I believe during the start of the quarter or the mid of this quarter, government had asked for certain bit of price reduction on non-cotton side for all the companies and come more or less, I think sector voluntarily took some kind of price hit. Could you quantify now what kind of price hit we had taken?

**G. Vijay Kumar** On the non-cotton seeds, 10% reduction is as per requested by the government and we obliged it. By the time almost 50% to 60% business is over, and the balance 10% was impacted. This has impacted our profitable to be a couple of percent.

**Nitin Gosar** Okay. You said 10% was the price cut?

**G. Vijay Kumar** On the selling price on non-cotton.

**Nitin Gosar** And I missed one number on debtor books, would you mind sharing it again?

**G. Vijay Kumar** Rs. 590.6 crore.

**Moderator** Thank you. Our next question is from the line of Omkar Kulkarni, an Individual Investor. Please go ahead.

**Omkar Kulkarni** Mine is a quite broader question. If you look at your growth from 2011 to 2014-'15, it has been quite strong, thanks to the good rainfall, which we have had, but since then the growth has slowed down quite a bit, again you seem to have picked up

quite a bit. But if you look at the next two to three years, the dependency on monsoon is such a high that what kind of number you can provide?

- G. Vijay Kumar** See one is as mentioned in the Satish's preamble discussion, we started concentrating on South, Central to now North, Eastern to other parts and another thing is we are also strengthening our non-cotton business also. So this will mitigate the risk of the rainfall or monsoon, I mean, uneven monsoon, and also dependence on cotton will come down and other crops will also increase. So overall we are expecting a 15% growth year-on-year, we are expecting as on date.
- Omkar Kulkarni** Okay. This is in spite of rain being good or bad?
- G. Vijay Kumar** Entire country is in a drought. This will be affected every seed company and every sector.
- Omkar Kulkarni** Yes. Right.
- G. Vijay Kumar** I'm saying because of market penetration to different parts of India, some parts of India is affected with the shortage of rain, some parts will be good. So we also expanded to all the parts and with many products to many areas, we are expecting that growth.
- Omkar Kulkarni** Okay. And what is your broad vision for Kaveri Seeds Company for the next 3-5 years in terms of say revenue, profitability or margins or cash flow?
- G. Vijay Kumar** Same thing I'm mentioning next three to five years, we are concentrating on expansion of the market to all the parts of India. As mentioned with Satish, we started slowly concentrating on vegetable seeds. It has to evolve. The export market has to evolve. We are only catering to Bangladesh. Going forward couple of years later, we will expand to many other areas in the countries. But keep in mind all those things, fingers crossed, I don't know about the rainfall still we can say that 15% to 20% growth year-on-year we can expect from three years down the line.
- Omkar Kulkarni** Okay. Since you have Rs. 650 crore around of cash in your balance sheet, how do you plan to utilize that?
- G. Vijay Kumar** Out of Rs. 650 crore, Rs. 200 crore we distributed last week. It was cleared for distribution of buyback, cleared for dividend declaration, cleared for royalty payment. So this is on 30th June and buyback was distributed on 1st of the August and dividend now only declared, it will take some money, and royalty settlement with Monsanto also closed and that will take Rs. 100 crore. And we are also investing in R&D strengthening, our R&D has recently joined. Year-on-year by keep in mind the cash flows, by apportioning the CAPEX requirements, we will distribute major amount to the shareholders by any version.
- Moderator** Thank you. Our next question is a follow-up from the line of Abhijit Akella of India Infoline. Please go ahead.
- Abhijit Akella** Just the revenue breakdown for 1Q. Is it possible to give us the bajra revenues and also the non-hybrid paddy I mean, the paddy excluding hybrids?
- G. Vijay Kumar** Once sales returns and everything is crystalized, we will see if it is not a market sensitive, we'll share it next time.

**Abhijit Akella** Okay. And the realization per packet in cotton seems to have improved this 1Q versus last year's 1Q. So any specific factor you would attribute that to?

**G.S. Satish** Our advance collection in cotton was a little lesser than last year. The non-cotton was higher. So we had a lesser outflow on the advance booking incentive. And we also have been able to manage our channel much better than last year. So we've had a higher realization as compared to the last year for cotton.

**Abhijit Akella** Got it. And lastly, just on the GST I believe there's been some ambiguity about the rate applicable to seeds. So if you could just put some color around that. What is the situation, what is the stance you have taken and what you expect going forward?

**G. Vijay Kumar** Yes. Abhijit, it was clarified by the government. On 27th of July, they issued an corrigendum, with that, they have clarified that there is no GST applicable to any sowing seeds, whether it falls under the Chapter 12 or 7 or 9 or 10. Initially before 27th July, there was ambiguity, but government released the corrigendum on 27th July.

**Moderator** Thank you. Our next question is from the line of Siddharth Bhattacharya from Suyash Advisors. Please go ahead.

**S. Bhattacharya** Yes. Couple of things. One is would you be able to share with us what is the total volume of cotton seeds dispatched for the Kharif season that is?

**G.S. Satish** Are you saying sales? Sales we already mentioned in our presentation at 6.5 mn packets.

**S. Bhattacharya** Correct. What I'm trying to understand is, so what would be the carry forward inventory, let's say, and what is your target for inventory for the next Kharif production that is of course production plus the carry forward inventory overall?

**G.S. Satish** Yes. We have just done the sowing for the cotton for the next year, so the crop is in the field. It's quite early for us to predict in terms of how the crop is going to come. As on date, there have been very good rainfall in the cotton seed production areas, so the cotton crop, seed production plots are looking really good compared to the past year. So we are hopeful that we will be able to get the volumes what we've targeted for the coming year.

**S. Bhattacharya** Right. And you're not specifying the number now?

**G.S. Satish** No.

**S. Bhattacharya** Okay. Would you be able to share with me the breakup of 65 lakh packets between co-marketed products and pure hybrids, your own brands?

**G.S. Satish** Yes. The co-marketing is in the low double-digits.

**S. Bhattacharya** Low double-digits is co-marketed, okay. Sure. One last question, a broader question. Do you want to give some sense of how FY19 will shape up given your current plans, some thoughts on how, FY19 may shape up not this year, but the next across different crops please?

**G.S. Satish** Siddharth, it's a bit early, but the advantage for Kaveri is that we are present in multiple crops. So last year was a good year for maize. So we were there to take advantage of the maize acreages. This year it was a good cotton year; and then we were there to take advantage of cotton. So next year, whichever way it goes for sure being present in multiple crops, we would at least have the growth in that particular segment. It's quite early for us to predict at this point in time, which way the crop acreages are likely to go for the next year. But given the presence in multiple crops, we are hopeful that we will continue the growth with Vijay mentioned at about 15% year-on-year.

**Moderator** Thank you. Ladies and gentlemen, that was the last question. I now hand the floor back to the management for closing comments. Over to you, sir.

**G.S. Satish** It has been a pleasure interacting with you all over the call. We thank you for taking time out and engaging with us today. We value your continued interest and support. If you have any further questions or would like to know more about the company, kindly reach our Investor Relationship desk. Thank you from Vijay and myself.

**G. Vijay Kumar** Thank you very much.

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

- ENDS -

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