

3rd October 2018

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MUMBAI - 400 001

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

Scrip Code : 532899

Scrip Code : KSCL

Dear Sir,

*Sub : Transcript : Kaveri Seed Q1 & FY 2019 Result Conference Call on
10th August 2018 - Reg.*

Please find attached herewith Transcript of Kaveri Seed Company Limited Q1 & FY 2019 Result Conference Call made on 10th August 2018. The same was displayed at our company's website : www.kaveriseeds.in

This is for your kind information and record.

Thanking you,

Yours faithfully,
For KAVERI SEED COMPANY LIMITED



[Signature]
C.MITHUN CHAND
★ WHOLE TIME DIRECTOR

Encls: a/a.



Kaveri Seed Company Limited

Q1 FY19 Earnings Conference Call Transcript

August 10, 2018

Moderator Ladies and gentlemen, good day and welcome to the Kaveri Seeds Company Limited Q1 FY19 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. Gavin Desa from CDR India. Thank you, and over to you, sir.

Gavin Desa Good day everyone and thank you for joining us on Kaveri Seeds Company Limited's Conference Call. We are joined today by Mr. Vijay Kumar, the CFO. 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 risk the company faces. The Company does not undertake to update them. A statement in this regard is available for reference in the presentation. We will begin the call with opening remarks from Mr. Vijay Kumar who will share updates on the market environment and take you through the strategic imperatives of the company. Post that floor will be open for a Q&A discussion. Now I would like to hand over to Mr. Vijay Kumar to share his views. Over to you, Vijay.

Vijay Kumar Thank you Mr. Gavin. Good afternoon and a very warm welcome to all of you.

The Seed sector remains a key pivot for agriculture growth wherein product performance and farmer relationship still remain crucial. Despite IMD forecast of normal rains, delayed arrival of rains and deficient rains in many parts of India resulted in delayed sowings and crop mix & product mix usage by farmers. Though this season had its share of challenges in cotton but we have seen optimism in the rural sector and if you look at our noncotton performance as on date, in most crops it has been quiet promising.

Coming to our financial performance, in Q1 FY19, while Standalone Revenue declined by 1% YoY to Rs. 582 crore, EBITDA was up by 4% YoY to Rs. 220 crore and PAT was up by 4% YoY to Rs. 211 crore. Central government reduced price of cotton seed by Rs. 60 per packet, resulting in a topline decrease of Rs. 35 cr and

bottom line decrease of Rs. 12-13 crore. This impact was moderated by higher non cotton profitability. Write Offs of Rs. 15 crore in Q1FY19

Cotton volumes declined by about 9% in Q1 which was in Kaveri Seeds whereas market is down by 10.1% offset by significant growth of 25% in non-cotton business especially hybrid rice, selection rice and sunflower.

Cotton volumes were impacted by lower acreage. Cotton market sentiment was impacted by pink boll worm issues impacting yield as well as quality, spread of HT cotton sold illegally especially in Maharashtra & Punjab; and thirdly due to downward price revision imposed by government. In some parts of country farmers increased space between plants to challenge or avoid Pink boll worm. Due to that also cotton usage come down per acre. In the past some parts of India, cotton usage per acreage 2 packets now it is come down to 1.7 packets temporarily and some parts cotton packets usage is 1.7 packets per acreage is come down to 1.5 to mitigate this pink bollworm. And AP, Telangana and Karnataka volumes were impacted by use of illegal Herbicide Tolerance and some smaller company sales and farmers are downtrading. Meanwhile, strong growth registered in Gujarat, Maharashtra and northern markets. With significant market share gains attained market leadership in Gujarat market for the first time. Further, contribution of new product went up from 18% to 21% of volume. We remain the number one cotton seed player in India, excluding the northern region, with a market share of 15% overall. North is at around 8 million packets market and we have negligible presence there.

Non cotton business has grown significantly by about 25% driven by volume growth in new hybrids and also price appreciation in key products.

Hybrid Rice volumes increased by 36% in Q1 FY19 helped by introduction of new hybrid 468 and doubling of Govt Business. Further, contribution of new product went up from 16% to 23% of volume. Selection Rice volumes grew by 40% in Q1 FY19 with contribution of new products went up from 10% to 14%. The rest is government sales.

On the backdrop of very poor commodity prices, the sentiments for maize have been subdued. Timely rains in Karnataka & MP helped in timely sowing and crop area increased compared to the same period last year. Kaveri raise volumes reflected a growth of 4% though the maize market is down by 8% to 10% at present Telangana, Maharashtra northern eastern market. Government business volumes doubled compared to last year. Delayed rains and late sowing is likely to have impact in the sowing over next quarter especially in AP, Maharashtra and other market, markets in east.

As on 30th June, 2018 the company had a total cash on books of Rs. 679 crore. The company's strong balance sheet and cash flows enable us to reward the shareholders and that is also part of our corporate philosophy. As you are aware in May 2018 the board has approved a Rs. 200 crore buyback program at Rs. 675 per share for financial year 2019. The process is moving as per plan and we are waiting for SEBIs approval and other legal approvals we are already got, which are SEBI approval which are expecting very soon.

Coming to the way forward. commodity prices are at lower levels compared to last year. However, Cotton still the most profitable crop as compared to other crops despite lower yields due to pink bollworm incidence. In Q2 Cotton sowing area is expected to cover up in Karnataka and AP in July & late kharif sales of TN is estimated to be normal given good rainfall and commodity prices. Strong growth

expected for Money Maker across markets, Jaadoo, ATM continue to sustain momentum. Strong market share gains expected from Gujarat and Maharashtra.

Non-cotton push continues with the addition of sales locations, expansion in North eastern parts and new product initiatives. Hybrid and Selection rice to grow on the back of two new models introduced and launched in Hybrid rice, new hybrid scale up with tremendous growth across markets with more than 200% growth in 2 products. Selection Rice prospects also looking positive due to better commodity prices. Selection rice markets have a positive trend due to improved SRR consistently. New products scale up done with tremendous growth in Coastal King, Elito and Shireen across markets. Maize volumes to register growth driven by Drona and profit and 2 new hybrids in maize to be launched in Kharif season. Strong vegetable growth to be driven by new hybrids across hot pepper, okra, tomato, sweet corn and gourds.

Our intensive efforts over the last few of years to truly de-risk the company and build a future ready organization have been bearing the fruit. Our initiatives for the coming year have been outlined in the presentation in the growth strategy slide and we have been consistently appraising the street of the same. Our growth pillars include diversification, organizational capability, increased visibility and main share supply chain and reinforcement of cotton leadership. Kaveri has launched several products across crops segments, has been focusing on rice, vegetable segment, maize which command higher profitability, and driven geographical expansion into newer markets and also initiated an expansive export program. We remain optimistic on delivering strong profitable growth, healthy return ratios and maximizing shareholder value and distribution of considerable amount to shareholders.

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. Ladies and gentlemen, we will now begin the question answer session. We take the first question from the line of Abhijit Akella from IIFL. Please go ahead.
Abhijit Akella	Just a couple of clarifications from the opening remark. I missed a couple of data points. One is, what is the write offs number for the quarter? Is it Rs. 15 crore, did I hear that correctly?
Vijay Kumar	Yes, that is Rs. 15 crore approximately.
Abhijit Akella	And this is within cost of goods sold, right?
Vijay Kumar	Correct.
Abhijit Akella	And second selection rice revenue numbers that you gave, if you could just repeat that?
Vijay Kumar	Selection rice, growth I had given. Selection rice overall growth is 15% up in the total market whereas we are up in 45%.
Abhijit Akella	And could you give the revenue number or?
Vijay Kumar	Will share later

Abhijit Akella And similarly, Bajra what was the performance like?

Vijay Kumar Market is down by 12% even Kaveri is also down by same.

Abhijit Akella Second, on this cotton seeds, now with the delayed rainfall and everything do you expect a significant spillover of sales into 2Q? Last year you had done about 400,000 packets in 2Q, what is your expectation?

Vijay Kumar We are expecting some spillover will be there especially in AP

Abhijit Akella I mean, how significant could it be higher than the 400,000 packets we did last year?

Vijay Kumar Not much

Abhijit Akella And the declines in your key states in cotton, so Maharashtra, AP, Telangana. Is that because of the decline in the overall market or would you think you have lost a little bit of share in these markets?

Vijay Kumar Maharashtra market is down by 10%, we are only down by 4%. As I mentioned in the opening remarks to mitigate the Pink bollworm farmers increased the space between plants. Due to that there is a 10 to 12 lakhs packets reduction in sales. Last year there were 47.50 million packets in sales and now 44 million sales is there. the maximum decline came in the southern market, Maharashtra .northern market there is an increase in the sales. You know that we do not have any presence in north market. But this year in Gujarat we are number one we have declined less than the proportion..

Abhijit Akella One last question I will get back in the queue for more. In terms of the outlook for rabi corn; how are you seeing the market shaping up now?

Vijay Kumar Yes, the late rains are coming up now We are expecting that maize will pick up in third quarter.

Moderator Thank you. We take the next question from the line of Chetan Thacker from ASK Investment. Please go ahead.

Chetan Thacker Just wanted to know, are there any export sales this quarter? And what would be the revenue from vegetable seeds in the current quarter?

Vijay Kumar Current quarter's revenue from the vegetable seeds is close to Rs.6.9 crore. And exports normally will be in August-September.

Chetan Thacker And sir, on the maize side, I see there is an increase in average realization. Is that because of switch to more single crop in the mix?

Vijay Kumar We increased the price for the some of these good products, by 3% to 4%.

Moderator Thank you. We take the next question from the line of Omkar Kulkarni, individual investor. Please go ahead.

Omkar Kulkarni You had guided for around 15% to 20% kind of topline and bottom-line growth. But instead you have posted a de-growth in the topline and around 4% to 5% growth in

the bottom-line. Where do you see the topline and bottom-line because 75% to 80% of the business is done for you now?

Vijay Kumar Yes, one is due to reductions of price of the cotton topline was impacted by Rs. 35 crore. That was some what compensated by non-cotton.

Omkar Kulkarni Even if you include that 35 crore into the sales the growth would have been around 4% to 5%, sir.

Vijay Kumar Maize also overall market is down by 10% but we gained 4% that is also impacted. The 2 main products cotton and maize both impacted. hybrid rice also degrown in the market but we grow more than 40%. Overall due to shortage of rainfall and there is a decline in the acreage for the main crops,.

Omkar Kulkarni So, what about the guidance for the next year, sir? Or the next season?

Vijay Kumar Next year we will grow 15 %.

Omkar Kulkarni So, the overall growth in the revenue and bottom-line should be upwards of 10%-15%?

Vijay Kumar Yes, sure.

Omkar Kulkarni And there were some rumors in the market about UPL eyeing some stake in the Kaveri Seeds. Can you clarify on that, sir?

Vijay Kumar No truth in that statement.

Omkar Kulkarni So, you have not been contacted by any company?

Vijay Kumar Neither have we approached anyone nor has anyone approached us

Omkar Kulkarni And sir, just on numbers. This around Rs. 680 crore of cash excluding, so if you exclude Rs. 200 crore for dividend it would be around Rs. 480 crore, right?

Vijay Kumar Correct.

Moderator Thank you. We take the next question from the line of Monalita Mitra from Stewart and Mackertich. Please go ahead.

Monalita Mitra In the last 15 to 20 days, Maharashtra farmers have witnessed Pink Bollworm attack and because of that Maharashtra government has asked the seed companies to pay around 93 crore. So, what is the market share in Maharashtra for cotton?

Vijay Kumar So, we have actually gained in the Maharashtra market though the market is down by 10% we gained little bit and whatever the Pink Bollworm challenge is it has not affected our products.

Monalita Mitra So, we do not have to pay this penalty for the Pink Bollworm attack.

Vijay Kumar Correct, exactly.

Monalita Mitra So, another question is, so out of you have in the first quarter you have sold around 58.6 lakh packets for cotton seeds. Is that correct?

Vijay Kumar Yes, 59 lakhs packets.

Monalita Mitra So, this how many seed packets is expected to get returned. So, is this like accounted for those returns of packets also?

Vijay Kumar Whatever we are disclosing to the market it is only net-off returns.

Monalita Mitra And the revenue numbers have also net-off return?

Vijay Kumar Everything is net-off returns, net-off schemes and discounts

Moderator Thank you. We take the next question from the line of Rohit Nagraj from Sunidhi Securities. Please go ahead.

Rohit Nagraj Sir, I just wondering about FY19 guidance, so what is your guidance for FY19 that we are looking at based on Q1 performance and lower sales on the cotton side?

Vijay Kumar See in the south now the rains have started. We are expecting that there is a pick up for the maize in the second and third quarter. And we are also expecting that there is a growth in vegetable sales and exports. Still we believe that at least 10% growth will be there for us.

Rohit Nagraj And secondly on cotton, we have seen there has been a shift in acreage from cotton to other crops because of the Pink Bollworm issue?

Vijay Kumar Yes, there is a shift in some parts of especially AP, Telangana and some part of Maharashtra from cotton to rice, varietal rice and some other crops.

Rohit Nagraj And in terms of vegetables, I think you said that the revenue for this quarter was Rs 6.5 crore. Is that the number right?

Vijay Kumar Rs. 6.9 crore.

Rohit Nagraj 6.9 crore, so similar kind of number will be there on a quarterly basis because it is all round crop?

Vijay Kumar Normally vegetable sale is more in first and last quarter, moderate in second-third quarter. And this year we are expecting around Rs. 24 crore to 25 crore sales in the vegetable sales.

Moderator Thank you. We take the next question from the line of Abhijit Akella from IIFL. Please go ahead.

Abhijit Akella: There is a decline in the other expenses quite sharply year-over-year. So, which cost items have we managed to control to drive this?

Vijay Kumar The major item is only royalty. The Rs.9 crore decline in the other expenses is royalty because one is volume has declined, second is royalty price has come

down. Royalty price was Rs.49 it is now Rs. 39 as per the government notification. That is the impact. Second is, write-offs have also come down.

Abhijit Akella: Write-offs are included within other expenses also. I thought they were within COGS?

Vijay Kumar Two types of write-offs will be there. One is provision for bad debts another is inventory write-offs. Inventory write-offs are included in the COGS as you mentioned. Provision for bad debts is included in the other expenses, that has also substantially come down.

Abhijit Akella: Can you disclose how much it is down by figure?

Vijay Kumar It is down by around Rs. 3.5 crore.

Abhijit Akella: And other income, it is quite a big number this quarter. So, what is driving this and what is the expectation for the full year?

Vijay Kumar The other income is some of the long-term investments are mature in the first quarter with indexation tax benefit and all. That has driven the increase in the non-operating that is the other income. So, overall this year we are expecting other income is close to Rs. 25 crore.

Abhijit Akella: And when I look at the realization per packet in cotton, it seems to have fallen very marginally compared to the cut in prices by the government. So, I mean it seems like it is down by only some Rs. 15-Rs. 17 per packet. So, is that because we manage to curb the dealer discount channel discounts and all that, is that the reason?

Vijay Kumar No, normally dealers used to pass on the benefit to the farmer in the past whatever the discounts we are giving to them, some portion. The same portion now they are not passing to the farmer that has given some leverage to Kaveri Seeds. So, that is the reason only Rs. 15-Rs. 17 decline is there, that is only affected the 10 crore-12 crore PAT of ourselves.

Abhijit Akella: And in terms of EBITDA per packet it would be down by about Rs. 20 a packet, right based on the 12 crore-13 crore reduction number that you gave?

Vijay Kumar Yes, same thing we are expecting.

Abhijit Akella: In the presentation also says the COGS per packet has gone up because of the Pink Bollworm issue or other things. So, by how much ...

Vijay Kumar It is not because of the Pink Bollworm, last year between September end to October last week there is a heavy rains continuously there in most parts of southern India. That unseasonal rains affected the quality and output. Due to that aggregate 3% cost of production increase is there.

Abhijit Akella: And the illegal seed market, how has it grown this year compared to last year? Last year, I believed it was maybe 8% or so of the total industry size. This year is it more than that?

Vijay Kumar This year it is more than 12% especially in AP and Maharashtra and some parts of Telangana and Karnataka also. And government initiated a lot of actions to arrest many people. Hopefully we are expecting that, that will be controlled.

Abhijit Akella: And in terms of the Pink Bollworm what would your expectation be for this season? Could that be a serious problem in the next 2 to 3 months or can it be controlled?

Vijay Kumar It can be controlled with proper utilization of some pest controls.

Abhijit Akella: Last question in terms of the new product Money Maker, how has that performed and is that now 21% of volumes as given in the presentation, the new product?

Vijay Kumar Yes, Money Maker is doing well and is the next big product and some more new products we are launching.

Moderator Thank you. We take the next question from the line of Sumant Kumar from Motilal Oswal Securities. Please go ahead.

Sumant Kumar So, you have given guidance of cotton sales volume of 6.9 million packet for FY19. So, assuming 400,000 sales in Q2 in FY19, right and current sales is 5.9, so it is coming to 6-6.3. So, you are going to see a number 8% to 9% sales decline in cotton sales. So, when you have guided in Q4 FY18 and now what happen in between? And at that time, it was visible that the farmer can shift to other crop like soya bean and other crop and you are very positive on, you are going to maintain 6.9 million packet. But the sales has declined. So, what was the key reason and what happened in between?

Vijay Kumar Cotton market actually down by 10%. South & Maharashtra market and there is a delay in monsoon and crop shift also. These 3 affected the reduction in the cotton volumes sales especially in south. Whereas, in northern market there is a slight increase in the cotton sales that is especially Rajasthan, Punjab and Haryana compared to South market. That is what affected our expectations.

Sumant Kumar So, the factor you are talking about, we did not factor this, when you have given guidance at that time? You were not expecting these kind of things?

Vijay Kumar That time we did not expect that there will be a delayed monsoon and crop shift and decline in the southern part in the cotton sales.

Sumant Kumar So, when the cotton price currently increasing. Do you think the farmer may shift towards cotton in the current month and so, you can see good numbers in Q2? The 400,000 whatever it has shown in Q2 FY18 it could be higher also 800,000 to 900,000 packets.

Vijay Kumar Cotton is normally a long-term product. So, that is the reason most of the people will not plan in Q2. So, we are not expecting very great growth in cotton for Q2. Next year only there will be growth will be there, especially for us because we are launching a lot of new products in the northern market and central and south market also.

Sumant Kumar Any new product you were expecting a very good growth and it has not shown, this was also key reason for your lower growth?

Vijay Kumar Not like that. Money Maker is one of the big bets that is there. We are not having sufficient quantity but next year we will do very well in money maker and 2 new

products we are launching in central and south. Those things will start giving lot of growth to us and northern market we are continuously saying that we do not have any share in 8 million packets north market. But first time, we are entering next year 2 new products we are launching. We have been next year it is very optimistic to expect a great number maybe couple of lakhs packets we can expect. Going forward, lot of growth will be there in the 8 million market share.

- Sumant Kumar** So, we gain the market share in Maharashtra because of issue with Rasi seeds and this year the product of Rasi is available in the market. So, this thing has also impacted our sales volume this year?
- Vijay Kumar** No, in Maharashtra in fact the market is down by more than 10% but we are not down by same we have actually gained. . It is not like that even Rasi was affected because of the Pink Bollworm but we have not lost the Maharashtra market.
- Moderator** Thank you. We take the next question from the line of Shashank Kanodia from ICICI Securities. Please go ahead.
- Shashank Kanodia** Sir, your presentation mentions that large part of non-cotton seeds were to government agencies. So, does it put a strain on the working capital?
- Vijay Kumar** See, if we are cash rich company there is no problem on that one. after proper evaluation we sold
- Shashank Kanodia** But sir, normally what is the credit period you have to extend vis-à-vis the cotton seeds? Cotton seeds still is it ...
- Vijay Kumar** You are talking about cotton or maize and rice?
- Shashank Kanodia** Sir, maize and rice versus cotton, the credit period extended?
- Vijay Kumar** The credit period is between government and non-government we can see otherwise in the private sector credit period is very less you can see that our average debtors realization is less than 36 days.
- Shashank Kanodia** Sir, what about the government in the non-government segment?
- Vijay Kumar** Government will take couple of months more.
- Shashank Kanodia** Sir, secondly have we heard anything on the tax raid from the government which was in the litigation for some time?
- Vijay Kumar** Nothing.
- Shashank Kanodia** And thirdly sir, on the illegal cotton seed variety, so as an industry are we doing something to prevent the further growth going forward for such kind of illegal seeds?
- Vijay Kumar** Government is acting very seriously. This year also they arrested many people in Maharashtra and AP, Telangana and Karnataka. Because as a private sector we cannot take any action, we are vigilantly informing to the government where it is happening and most of the companies through their dealer network and marketing network they are informing to the government and government is initiating many

actions to arrest the illegal seed sales in cotton. That will help in future to cut the illegal market.

Shashank Kanodia Sir, lastly in your opening remarks you mentioned about decrease in usage of packets per acre. So, if you can throw some more light about what exactly is the issue?

Vijay Kumar See some parts of India to mitigate the Pink Bollworm challenge, they increased space between the plants. So, for example per acre they need 2 packets the increase in the space due to that their consumption is come down to 2 to 1.7 packet. And some parts of the area per acre they normally consume 1.7 packets now it has come down 1.5 packet. Due to that also around 10 lakhs to 12 lakhs packet consumption is come down across India.

Moderator Thank you. We take the next question from the line of Arun Baid from BOB Capital Market. Please go ahead.

Arun Baid Sir, did you mention the total cotton packet market this year was Rs. 42 million, is that correct sir? Again, 44 last year?

Vijay Kumar It is Rs.44 now, last year close to 47.50,.

Arun Baid And sir, so if I look at Maharashtra sir, our total sales de-growth there was 13%. If I look at the numbers which you have reported in Maharashtra area wise down 2%. So, we must have lost market share, sir?

Vijay Kumar No, Maharashtra market is down by more than 10%

Arun Baid So, the area which you reported in your presentation is about 2% decline, sir. It is in your presentation only.

Vijay Kumar Okay.

Arun Baid And your sales there have de-grown by 13.6%. So, logically we should have lost market share because our channel checks do tell us that Rasi has done really well over 1 crore to 1.2 crore packets we have done this year. So, this was our challenges, correct me if I am wrong, sir?

Vijay Kumar Rasi is really done well in northern markets. Out of 8 million packets they have sold More than 4 million packets.

Arun Baid And the rest would be in Maharashtra and South India, right sir?

Vijay Kumar yes

Arun Baid So, they would be the number one ...

Vijay Kumar Yes

Arun Baid But in Maharashtra we must have lost market share is the numbers which are there in the presentation clearly show that.

Vijay Kumar See, compared to the decline in the market we actually lost less

Arun Baid So, actually I am sorry if I am repeating it, but the data shows that the area is down 1.8% and your Maharashtra sales is down 14%.

Vijay Kumar Let me check that once again. I do not know where it is.

Arun Baid And sir, the same is the case in AP and Telangana, sir? I see, Telangana which is the major market for cotton is down 3.5% area wise, we are down 23% if I look at the quarter one numbers?

Vijay Kumar Yes that is due to as I said now, one is number of packets utilization is come down.

Arun Baid So but that 10 lakh-12 lakh is all over India, right? So, if you that is in your ...

Vijay Kumar That is mostly in Maharashtra and Telangana only. These are the active states,

Arun Baid But still if you adjust that we are down 23% in AP and Telangana which you have reported. It does not match.

Vijay Kumar AP and Telangana due to small companies and illegal companies sales increasing.

Arun Baid So, we were lost market share. That is what I am trying to ask, sir.

Vijay Kumar Correct.

Arun Baid And sir, second thing is when we have done some channel checks it clearly says that government is thinking of putting even controls on prices in maize. Is that correct, sir?

Vijay Kumar No. Only government is intervening in cotton because of the royalty involvement up to now we do not have any such intimation on controlling the price of major anything.

Arun Baid So and third thing is in your May sales which you reported in this quarter, what would be the government share and non-government share be roughly, sir?

Vijay Kumar Government share increased approximately 500 tonnes extra sold to government in this quarter compared to last year.

Arun Baid And, sir when I look at your means the main realization was phenomenal you mentioned some 4% increase in prices, right sir? But when I look at your maize volume growth was 4% and your revenue growth was 18%. So ...

Vijay Kumar That is because of the mix of the product. When the mix is very good, premium segment mix is very high now. Automatically the revenue recognition will increase, revenue portion will increase.

Arun Baid But maize area has not done well. It is flattish, if I look at the yearly numbers. And then in that premium market has gone are you kind of say that, sir?

Vijay Kumar Maize in fact in Kharif sales is down by 4 % but we gained market share mainly as I said to government sales and some price increase

Arun Baid No, sir the data of maize has something completely different government data and your presentation says that the areas is up by 1.6% and your one of the major markets which is Karnataka is up 16% this year. That is the data which you shared and that seems Government of India data, the data which you shared completely. So, data is at loggerheads, means 2% growth is there in total area in maize.

Vijay Kumar We have taken the data up to June from the government data only and up to July our figure I am comparing with Q1. Now, if you take July, August because of late monsoon there is an accurate increase is there in Karnataka and some parts of AP, Telangana.

Arun Baid No but our sales are placed by June? So we would be accounting based on that right?

Vijay Kumar June if you take the government reports there is a decrease in the maize at least 4%

Arun Baid Sir, what I am trying to ask is that because if I look at the maize data it is clearly saying that area has grown and your numbers are in line with that. Your realization increase is very significant. Do we expect this to continue, sir?

Vijay Kumar This will continue.

Arun Baid And sir, just one more thing was if I, in the last concall which was in May even mentioning that roughly about Rs. 12-13 crore is loss because of the decrease in prices which is of our cotton and there would be 2%-3% increase in our COGS because of the seeds losses we had in last year October-November right, sir?

Vijay Kumar Correct.

Arun Baid So, broadly cotton margin should have been down 5% because of 2%-3% as the prices came down from Rs. 658 to Rs. 643 for us and 2%-3% because of the COGS, am I correct, sir?

Vijay Kumar Correct, COGS production is increased because of the unseasonal rains effected the out put

Arun Baid So sir, 2%-3% there and 2%-3% low realization for us, so we should have been down 5%-6% on margin front of cotton at least if not more?

Vijay Kumar Correct.

Arun Baid And still sir we have been able to hold on the margins that mean our non-cotton business would be 45% in that range is the margin wise?

Vijay Kumar Yes, now the non-cotton has performed well and non-cotton share is more than 40%.

Arun Baid And sir means coming to this is the point when we spoke to a few people this was raises that because of this government is looking at this because the margins there are quite high.

Vijay Kumar See, if they start controlling everything where the R&D & invention of new hybrids will come. The growth is same from the newer market and newer products. It will not because of the same price increase not only that.

Arun Baid So, actually that was the same case in cotton but government has controls the worry as the investor is just coming from there only, sir? And sir, second thing is when you saying we are doing so much of R&D and hiring people. So, we must have added lot of people in last 1 year say am I correct, sir?

Vijay Kumar Correct.

Arun Baid Sir, when I look at your employee cost in Q1 FY18 it was Rs. 11.8 crore even this year Rs. 11.65 crore means employee cost is not going up at all despite so much of hiring we thought of 20% growth for this year, sir. Why is that the case, sir?

Vijay Kumar Last year, last half provisions were made for the gratuity and leave encashment that so many employees come under the gratuity

Arun Baid So that was in Q4, you mentioned in the call Rs. 3.5 crore. You mentioned that in the call but if I look at your Q1 number of employee cost it was Rs. 11.8 crore, sir.

Vijay Kumar Q1 also there is an impact last year because of actuarial valuation. This year that excess impact is not much.

Arun Baid So, but if I look at last year Q1 number was Rs.11.8 crore, Q2 was Rs. 11.7 crore, Q3 was Rs. 9.7 crore and Rs. 11.7 crore again in Q4. So, I do not know means there is no increase in employees cost and when you are thinking of 20% growth in topline we are launching new products, going across the board, looking at Pan India presence. This is at loggerhead, am I missing something, sir?

Vijay Kumar Compared to 2016-2017, 2017-2018 you can say substantial increase is there.

Arun Baid Sir, I am talking 2018-2019, sir. There have to be increments, new people are coming they have to be employee cost which has to go up, am I right sir?

Vijay Kumar 2016-2017 to 2017-2018 you can see that there is a lot of growth is there, increase is there in the employee cost.

Arun Baid Yes, it is there, sir. But I am talking of sir 2017-2018 to 2018-2019 when I look at the cost it is actually flat with addition of people and you are planning of 20% growth. Are we not staffing properly because of which our growth has come down

Vijay Kumar As I said no, that are provisions last year actuarial valuations are loaded excess. Those things normalized in this quarter and going forward you can see the increase in the employee cost. Next quarter onwards you can see the employee cost growth.

Arun Baid So, this year we had about Rs. 45 crore as standalone employee cost and Rs. 55 crore on consolidate level. So, that number should go up by how much sir, this year?

Vijay Kumar At least 10% to 12% will go up.

Arun Baid The normal growth would be taken care of by 10% to 12%, right sir?

Vijay Kumar Yes, that is it.

Arun Baid And sir, second thing is if I just look at your, the taxation front there is the other income which we get of which we got of 16.8 crore in this quarter and if I look at the tax figure, the tax figure is just 4.4 crore which is 26% tax on other income because we do not pay taxes on our agri income. Do we get benefit there also or how should we look at that?

Vijay Kumar Some indexation benefits were there because long-term investments matured. That is the reason less tax is there.

Arun Baid So, when you say we are going to have 30 crore of other income sir, how much broadly would be the tax there because that is only tax you will pay, right?

Vijay Kumar Around 30%, 28%.

Arun Baid And sir, just one more thing was that you had guided for 15%-20% growth which obviously been not happened now going ahead. But do you think that at least besides the other incomes the EBITDA would be similar as last year?

Vijay Kumar EBITDA will be better than last year.

Arun Baid So, because this year we have de-grown our EBITDA if I look at quarter-on-quarter with Q1 last year was Rs. 207 crore of EBITDA this time we had Rs. 203 crore. So, we will be able to make up we had shortfalls in this quarter and you are saying it will be better by how much?

Vijay Kumar This year we are expecting vegetable sale seed will be increasing and exports will also increase. We are expecting that there will be a growth in EBITDA.

Arun Baid So, we should expect that will do better EBITDA than last year. We did Rs. 221 crore of EBITDA on a consol basis and Rs. 218 crore on standalone basis. We should at least do that much, right sir?

Vijay Kumar Correct.

Moderator Thank you. We take the next question from the line of Ritesh Badjatya from Asian Markets Securities. Please go ahead.

Ritesh Badjatya Sir, my question is on the realization like last year we have a realization of about last year was Rs. 658 and this year is about Rs. 640, right. So, there is a drop of Rs. 18 but like government is reduced cotton seed packet price by Rs. 60 per packet. So, are the distributor is taken the remaining part of the hit?

Vijay Kumar Out of government's reduction of Rs. 60, Rs. 10 is for the royalty, Rs. 50 only reduction in the price. Out of that around Rs. 30 to Rs 35 passing to the market by our dealers and distributors and impact will be only Rs. 15-Rs. 20 to the company.

Ritesh Badjatya So, on the distributor there is no impact, right?

Vijay Kumar Distributor also not getting any impact..

Ritesh Badjatya And sir, like we keep hearing about that price cap on the maize can come just like the cotton seed. So, what is your view on that?

Vijay Kumar Uptill now we have not heard anything and there is no such proposal from the government.

Ritesh Badjatya But sir, the kind of margins we are making on the non-cotton especially on the maize like as you see about 45% we are making kind of the margins and so do not you think that government can try to control there because they also want to increase the farmer income. Recently they also increase the steep hike in the MSP price and all. So, to fund that kind of the MSP price hike into support more farmers, this kind of the area they may consider going ahead?

Vijay Kumar Two things, seed cost, input cost is only 4% to 8% of the cost of production of any crop, That is not a major cost for any farmer. Second is, these margins whatever we are gaining is because of the best hybrids developed by spending lot of amount in R&D. And if the government wants to kill the R&D they can very much do it and we cannot do anything. And we are gaining all these things because we are launching the premier products. Farmer is benefiting with the increased outputs, pest control and sustainability to the droughts, sustainability to the heavy rains and sustainability to the heavy fog and all.

Ritesh Badjatya But sir, like on the R&D in the cotton seed also they continuously reducing the prices in the last 2 years. So, that is also impacting the R&D the same thing can also happened on the maize. Do not you think so?

Vijay Kumar See, we are continuously spending a good amount in product development because we recently expanded to pan India. We are continuously launching good products which suits to the respective areas. So, that will definitely give the increase in volume. Once volume is increasing the margins also will improve, certain fixed cost will be same irrespective of the volumes. That gives a lot of comfort and we do not have any debts also that is also giving there lot of comfort compared to some other companies. There is no working capital loans and term loans and anything. That debt cost also not there in our company and other incomes also good. Overall it shows good margins but lot of leverage is there for our company because of cash richness and collection of timely and we are charging some premium price and good products and all.

Ritesh Badjatya And sir, why is the other expenses is reduced by Rs. 12 crore-13 crore compared to the last year?

Vijay Kumar Other expense come down as I mentioned Rs. 9 crore reduction in the royalty and 3.5 crore reduction in the provision for bad debts.

Ritesh Badjatya So, sir if I do the adjust net of the royalty like last year it was about Rs. 49 per packet and this year is that about Rs. 39 per packet, right?

Vijay Kumar Correct.

Ritesh Badjatya So, net off royalty if you do then it is about Rs. 33 crore last year and this year is about Rs. 32 crore. So, it is almost flat, right?

Vijay Kumar Royalty has come down, last year to this year royalty is substantially come down. Last year royalty for the Q1 is Rs.32 crore, Rs. 31.99 crore. This year is Rs.22.86 crore, there is a Rs. 9 crore reduction in the royalty and around Rs. 8.8 **crore** and there is a Rs. 3.4 crore reduction in the provision for bad debt. These two impacted.

Ritesh Badjatya And sir, last one is like for the next you have given the guidance of about 7.5 million packets of the cotton seeds to be sell, right? So, can I expect what kind of the assumptions we are considering for this kind of the packet sale?

Vijay Kumar Even 7.5 million packet sales across India we can grow. Our Money Maker will grow substantially, and we are launching 2 new products with central and south regions will do well. And northern market we are entering first time but that is we are not expecting great volume only 200,000 packets only first time. That is the reason we are expecting and we are gearing for good inventory.

Ritesh Badjatya And sir, like you said that consumption per acre is reduced to 1.75 packet versus 2 packets per acre. So, that it is might be impacting the industry levels that is about 42 million packet this year.

Vijay Kumar Yes, this year that is 10 to 12 lakh packets

Ritesh Badjatya So, despite that we can expect that 7.5 million and 7.6 million packets can be sold by us, right?

Vijay Kumar Yes, 7 million to 7.3 million.

Moderator Thank you. We take the next question from the line of Nandan Vartak from Wealth Managers India. Please go ahead.

Nandan Vartak I just wanted to know about CAPEX plan for FY19?

Vijay Kumar FY19 CAPEX plan is around Rs.40 crore to 45 crore

Nandan Vartak And what would be for FY20 and going forward?

Vijay Kumar FY20 going forward every year at least for next 3 years around Rs. 30 crore-35 crore will be spend in CAPEX.

Nandan Vartak So, for export business there is no specific CAPEX?

Vijay Kumar Export business we are spending that is also right enough. There is no, capitalization there.

Moderator Thank you. We take the next question from the line of Rohit Nagraj from Sunidhi Securities. Please go ahead.

Rohit Nagraj So, what would be the current growers and dealer distributors? What is the current number?

Vijay Kumar Distributors all are put together direct and indirect put together more than 15,000 is there. Growers are more than 60,000

Rohit Nagraj And one more question, like we have already had about 1 month and a week or so post the quarter is over. So, during this period have we seen any pickup in sales for cotton seeds and maybe on maize front?

Vijay Kumar Especially maize there is an impact, growth is there. Cotton there is still not much growth but maize is there intact.

Rohit Nagraj And similar case should be for rice because I think the acreage has also gone up during the last one month on the rice front?

Vijay Kumar Rice already posted very good growth from our side.

Moderator Thank you. We take the next question from the line of Chetan Thacker from ASK Investment. Please go ahead.

Chetan Thacker Sir, just a follow up question. How much have we sold in the government business in hybrid maize in terms of quantity this year compared to last year?

Vijay Kumar Compared to this year, last year around 500 metric tonnes more we sold.

Chetan Thacker In hybrid rice?

Vijay Kumar No, maize I am saying.

Chetan Thacker No, sir in hybrid rice?

Vijay Kumar Hybrid rice is almost 42% growth compared to last year as double is there.

Chetan Thacker So, sir absolute number what we want?

Vijay Kumar Absolute number will share later.

Chetan Thacker And sir, last year what would that number be? Because otherwise it is difficult to understand, how much we have sold there, so?

Vijay Kumar I can give it to you later on. I do not have that adjustment.

Moderator Thank you very much. Well ladies and gentlemen, that seems to be the last question or today. I would now like to hand the conference over to the management for their closing comments.

Vijay Kumar It has been a pleasure interacting with you over the call. We thank you for taking time out and engaging with us today. We value your continued interest and support. If you have any further questions or would like to know more about the company, kindly reach our Investor Relations' desk. Thank you very much.

Moderator Thank you very much. Ladies and gentlemen, on behalf of Kaveri Seeds Company Limited, we conclude today's conference. Thank you all for joining us. You may disconnect your lines now, thank you.

- ENDS -

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