kaveri seed company limited

kaveri seeds®

13th June 2017

Bombay Stock Exchange Ltd.,
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MUMBAI - 400 001

Scrip Code: 532899

National Stock Exchange of India Ltd.
Exchange Plaza, 5th Floor,
Plot No.C/1, G Block,
Bandra Kurla Complex, Bandra (E)
MUMBAI - 400 0051

Scrip Code: KSCL

Dear Sirs,

Sub: Transcript - Kaveri Seed Q4 & FY 2017 Results Conference Call on Friday, 26th May 2017 - Reg.,

Please find attached herewith Transcript of Kaveri Seed Company Limited Q4 & FY 2017 Results Conference Call made on Friday the 26th May, 2017. The same was displayed at our Company's website: www.kaveriseeds.in.

This is for your information and records.

Thanking you,

Yours faithfully,
For KAVERI SEED COMPANY LIMITED

KAVERI SEED COMPANY LTD. SECUNDERABAD

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WHOLE TIME DIRECTOR

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Kaveri Seed Company Limited

Q4 & FY17 Earnings Conference Call Transcript

May 26, 2017

Moderator: Good Day, Ladies and Gentlemen and a very warm welcome to the Kaveri Seeds Company Limited Q4 & FY17 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 conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. 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 G.S. Satish - Chief Operating Officer of the Company 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 during the period under review; we will then have the forum open for Q&A Session. Now, I will invite Mr. Satish to share his views.

G.S. Satish: Thanks 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.

The industry news flow has been fairly positive, building strong optimism for the coming year. Commercial cotton prices have risen sharply and the ROI for cotton has been highest amongst crops. There has been no change in cotton seed prices fixed by GOI since last year. Also, pulses, soyabean and chilli prices and acreage are under pressure, which will lead to increased sowing for cotton. Though a normal to below normal monsoon is forecast by various agencies, it would not impact the sowing and seed industry, especially cotton, since it is an ideal crop in low rainfall conditions. Rabi seed production has been challenging for various crops namely maize, hybrid rice and bajra putting pressure on supplies.

Coming to our performance, I am happy to share this has been a strong year, with notable achievements in marketing, supply chain, R&D and financial parameters which have further strengthened the Kaveri moat and enhanced our value proposition. I am sure you must have browsed through our presentation, so I will highlight few key achievements only. Non cotton revenue increased as per plan, with both volume and value increase in Maize. Our R&D program witnessed progress with increase in multi-location trials and more number of notifications. We received notifications of 2 hybrids in rice, 1 hybrid in maize, 1 hybrid in pearl millet and 1 hybrid in sunflower. This is quite a noteworthy achievement.

Supply chain is a critical element in a seed company's success and we have synchronized supply to demand consistently. Over the last couple of years we have taken several initiatives including seed production planning tool, additional storage space, Seed Production Research (SPR), set up a new processing and packing plant in Molangur etc. all of which are beginning to pay dividends. In FY17, cotton production witnessed improvement in recovery and quality; rejection of maize reduced and improved recovery in rice processing. During FY17, we have strengthened our sales organization structure mapping teams based on geography and potential of the market.

Coming to our operational performance, if we look at specifics of each crop performance for Kaveri, in FY17 we have sold 5.4 million cotton packets this year as compared to 5.6 million cotton packets last year, a 4% decline compared to 7% decline in industry volumes. This was enabled by significant gain in Maharashtra, expanding footprint outside of Telangana/Andhra Pradesh and Karnataka. Further, Jaadoo and ATM continue to perform well and our newly launched 'Money Maker' has been received well.

As planned, Kaveri Seeds' non-cotton performance continues to improve. In FY17, maize volumes grew over 18% YoY to 10,900 tones as compared to 9,200 tones. This is a combination of acreages growth across the states and our industry leading supply chain efficiencies. We have gained market share and exports have increased. Revenues continue to benefit from higher volumes and our net revenue for Maize for FY17 is Rs. 161 crore as compared to about Rs. 138 crore for the corresponding period last year. Whereas for Rice performance has moderated a bit, due to decline in hybrid rice volumes.

Over the last year, we have made concerted efforts to increase visibility, mindshare and reach. We launched a farmer incentive scheme where we provide discount coupons at time of harvest which can be redeemed at the time of purchase. We placed emphasis on focused training of field assistants for educating farmers on advanced agronomic practices and product knowledge. I am happy to state our retailer reach and connect increased and that we have performed strongly on an important metric that we track internally - revenue per employee of cotton & field crop sales increased by more than 25% YoY.

We are optimistic of the growth prospects of vegetable seeds market in India. Hybrid vegetable seed is one of the fastest-growing segments in India estimated to be around Rs. 2,000 crore. For vegetables, we have built an exclusive sales team of more than 20 dedicated employees, launched new products, built a focused distribution network and are evaluating in-licensing opportunities.

Looking ahead, cotton seed production is projected to be better than last year both in terms of quantity and quality with recovery rates expected to be higher. We expect 10-15% growth in cotton volumes. Our non-cotton story will continue to progress. We have launched 8 new products in FY17 - 3 in Maize, 3 in Bajra and 2 Rice; increased number of demonstration of pre commercial products and expect our P&L to benefit from the same over the coming years. We expect vegetables business to grow significantly on the back of increased investment in R&D, supply chain and sales & marketing.

To sum up, Kaveri Seeds is on an extremely firm footing both operationally and financially anchored by augmented supply chain, R&D, finance and marketing teams. We have progressively strengthened our moat and are best placed to capture the sector tailwinds expected going forward. Our multi-crop portfolio, superior R&D, strong product launch capabilities, supply chain efficiencies, farmer relationships and comprehensive distribution network are cornerstones of a sustainable platform for long term success. 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 Q4FY17 performance.

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 full year and then focus on providing you some flavor around the numbers and our journey forward.

In FY17, Standalone revenues stood at Rs. 669.89 crore as against Rs. 716.53 crore in FY16. FY17 revenues have been impacted by reduction in hybrid cotton seed price along with moderation in cotton seed volumes. In Q4 FY17, Standalone revenues stood at Rs. 40.30 crore as against Rs. 41.09 crore in Q4FY16. Most of you are aware; Q4 has lower contribution from a cotton perspective.

Our profitability has been impacted by inventory write offs and an exceptional item. We had full year inventory write offs of Rs. 66.6 crore as compared to Rs. 43.1 crore in FY16 due to discarding of inventory. This was primarily cotton inventory which did not meet germination and trait purity standards. Major portion of the write off comprised cotton inventory which included non-moving products. Lower than expected sales in last two years led to build up of inventory and inventory from Kharif 15 had lower shelf life as Kharif 15 production was severely impacted by drought, stress and pink bollworm. The exceptional item was Rs 59.23 crore paid to Monsanto. The legal case has now been settled amicably and Rs 59.23 crore represents a full settlement of any outstanding payment in this regard for FY:2015-16. With this settlement Kaveri has secured its position and strengthened its relationship with a leading technology provider and has ensured continued access to future technologies. We will be able to spend greater amount of time focusing on our core business, enhancing our multi crop portfolio and expanding our reach and distribution.

Coming to the Standalone Balance Sheet, debtors stood at Rs.69.82 crore as on 31st March 2017 whereas on 31st March 2016 it was at Rs.63.10 crore. Total cash on books stood at Rs.649 crore as on 31st March 2017 as compared to Rs. 493 crore as on 31st March 2016. I am happy to state we have delivered on our target of announcing our cash utilization plans by the end of FY17. On March 27, 2017 we announced share buyback of 2,962,963 equity shares of face value of Rs. 2 each at a price of Rs. 675 per share. The buyback program is in process and the postal ballot voting concludes on 27th May, 2017, results announcements date is on 2nd June’15 and Public Announce date is 5th June’17. 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.

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. Ladies and Gentlemen, we will now begin with the question and answer session. We take the first question from the line of Nitin Gosar from Invesco Mutual Fund. Please go ahead.

Nitin Gosar Just wanted to check on this Monsanto episode, now since we have paid up the back debt dues, incrementally we have an access to the technology which Monsanto is willing to provide, do we have to still adhere to the royalty norms which they had stated earlier or now even Monsanto is accepting the revised royalty price, which government has announced?

Vijay Kumar The revised pricing policy is the ‘law of the land’ and everybody has to accept. Monsanto is raising the invoice as per the revised pricing policy though they contested in the court against the government separately.

Nitin Gosar Now, incrementally we do not have to do any kind of provisioning in our P&L and whatever outstanding has been paid?

Vijay Kumar On the government price notification, there is no stay from any court, so we and they have to follow the price notification. We are following that and they are also raising invoice as per the government price notification trait price.

Nitin Gosar Somewhere in the PPT it has been mentioned that the maize production has been up this year, so probably you are indicating towards the sales that can happen for the next year?

G. S. Satish Rather it is the other way round, what we mentioned there is actually this year, Rabi production of maize, hybrid rice, and bajra has been a challenging year not only for us but for the industry, so that might impact the supply. The other side is there is likelihood that the maize acreage might come down and that shift might happen to cotton. The issue is that we will have to manage the distribution and supply in a much better manner than what we have done in the past because the production has not been as anticipated.

Nitin Gosar Are we indicating that our next year maize volume number could drop down or we are indicating it is still going to remain flat?

G. S. Satish It is bit early to look at what the final numbers would be there. The total availability is more than what we have done this year, but we need to really look at if we can reduce the returns, which has been in the range of 20%. So if you can reduce the returns, hopefully, our growth like we have done in the past may still be continued.

Nitin Gosar One last question is couple of days back there was one news item in some regional language in Maharashtra which was talking about license being revoked or Kaveri has been stopped by Maharashtra government to do any kind of further sales in cotton in Maharashtra, any update on that, what was that regard to and why is that so?

G. S. Satish It was not specific for Kaveri only. There were 17 companies in the list and most of the leading companies were part of that, so it has been an unprecedented situation where most of the companies which supply the cotton seed were in that list. There has been an industry representation to the department of agriculture and also individual meetings with the department. The department has been quite patient to listen to the issue and the current update is that they have taken some fresh samples from the market for all the companies and the tests are going, They have assured that in case everything going well with the new test, they would revoke the notification which they had issued. We have always complied with the regulations and the standards. We are very confident that this issue will be resolved very shortly. Department also understands the gravity of the situation given that the season is at our doorstep. We are very hopeful that this will be resolved in the next week or so and we would be able to sell as per our plan.

Moderator Thank you. We take the next question from the line of Amy Truesdale from Jupiter Asset Management. Please go ahead.

Amy Truesdale Thank you for providing the quarter by quarter inventory write-off in the presentation, and this one is a follow up on that. In terms of expectations going forward for write-off is there a sort of possibility of providing for that on a regular basis, so we sort of get fewer surprises like this, and my second question is if you could just talk a little bit about kind of why the old seeds were left, I mean if you have a first in first out policy on your inventory, surely the old seeds would have already been used, so perhaps you can explain a bit about that, that would be great?

Vijay Kumar Last year we have written off around Rs. 43.1 crore and this year we have done 66.6 crore. Inventory write-off will be there at the range of 4-5% on sales volumes for every year. This year on the cotton side because of two years back-to-back drought in 2015, production quality was impacted, so in cotton volumes, some aggression is there in the cotton write-offs, otherwise write-offs will be there around 4-5% on the normal course, that is the industry standard also.

Amy Truesdale Do you usually provide for that as we are going along in the year or would you take that at the end of the year?

Vijay Kumar We will do it on a quarterly basis and monthly basis, as and when quality checks are done.

Amy Truesdale My second question on that it was sort of some exceptional circumstances, I guess the question is do you have a first in first out policy?

Vijay Kumar We are following the first in first out policy. You see we have many hybrids, to meet many geographies, to meet various soil conditions, and if some of the seeds not sold and those failing the quality test because of the expiry of shelf life, we need to write-off. But in the sales we are following the first in first out.

Moderator Thank you. We take the next question from the line of Dheeresh Pathak from Goldman Sachs. Please go ahead.

Dheeresh Pathak Sir, what is the current cotton inventory, going into the season how many packets are you carrying with yourself?

G. S. Satish In spite of the write-offs which we have done, we still have adequate inventory to meet our growth aspirations, we will not run short in terms of the placement. It would be little difficult for me to share the exact numbers, from a competitive perspective, but rest assured that we have adequate stocks to meet growth aspirations which we have for cotton.

Dheeresh Pathak I am just referring to Slide #20 that you shared, so you are sharing net revenues, so this net revenue is after dealer discounts, right?

G. S. Satish Yes, in the past we used to share with you gross and with the new reporting standards, we changed it, so you would see that from going forward and even this time, we had changed it to the net revenues, this is after all discounts.

Dheeresh Pathak On the published P&L, where for the year, you have shown 706 crore revenue from operation, that is gross revenue on the published result table, that revenue is gross or that revenue is also net?

Vijay Kumar Everything is net, Q4 results whatever published, everything is net.

Dheeresh Pathak Consolidated revenues for the full year, Rs. 706 crore revenue from operation on the result table, that is the net revenue, right?

Vijay Kumar That is the consolidated one, net revenue.

Dheeresh Pathak Then the balance can you explain like if you take the, there is for FY17, if you add the net revenues for these three crops it will come out to be around Rs. 550 crore, so balance Rs.160 crore can you mention which crops are there?

Vijay Kumar That includes our hybrid rice, vegetables, exports, bajra.

G. S. Satish What we have given the net revenues for the key crops. , There are other crops which would contribute to sale. Sunflower is the other crop which we have, we are in pluses, we have wheat, we have mustard, so if you add all that plus we have also kapas sales, so add all theset, to the key crops and remove other income, it is about Rs. 669 crore.

Dheeresh Pathak Among the ones which you mentioned, they would be in that descending order?

G. S. Satish Let me give you the first one, Last time we had clubbed both hybrid rice and selection rice and there was a bit of confusion in terms of understanding, so what we have reported this time for only hybrid rice. Selection rice contributes nearly the same revenue as hybrid rice for us and we have grown also this year, so that would be the largest contributor at about Rs. 28 crore followed by the kapas sales. Then we have the sales of wheat about Rs. 5 crore and then we have sunflower which actually declined this year that is another Rs. 4 crore, so that would be the order in terms of the other sales which you are seeing. Vegetables are another crop which we have grown this year, it was Rs. 2 crore last year and this year we have done about Rs. 8 crore. So that is something which we are not seeing in those main crops.

Dheeresh Pathak If you do the net realization based on the slide 20, your cotton per packet realization is about 663 for FY17, now would we expect a similar realization for FY18, do you think you will have to give more discounts to the channel or less discounts because it is expected to be a better year, so do you think you will have better net realization?

G. S. Satish Again, it would be bit early to say, the government did not change the price, the MRP remains the same. Our endeavor is to maintain that one but depending upon how the competitive pressure is there, we do make some changes, I think it would be too early for us to say we are able to meet that one. Our target is to manage at the same level as last year.

Moderator Thank you. We take the next question from the line of Abhijeet Akella from IL&FS. Please go ahead.

Abhijeet Akella First just on the inventory write down, is it possible to split out how much was cotton in the total 66 crore?

Vijay Kumar Cotton is around Rs. 43 crore, the rest is field crops.

Abhijeet Akella In the other crops, the inventory to sales for the year was about in that 5% ballpark which you guided, so it will remain around that level going forward?

G. S. Satish Abhijeet, last time also this question had come up and we had said that the industry standard benchmark is about 4 to 5%, but then in a bad year it can go up to 10%. We still maintain that inventory write down could be in the range of 5-10. %. In a good year, we would be able to manage in the lower range. So if you look at the field crops this year, it is about Rs. 23 crore on a base of about Rs. 270 crore, so we are at about 8.5% of net revenuet. Cotton is on the high side this year, So you could take the range of about 5 to 10% of inventory write down year-on-year.

Abhijeet Akella Secondly just on the Monsanto settlement issue, just was hoping to understand why we felt the need to settle right now, is it because we are seeing any signs that there could be some kind of settlement between Monsanto and the government and therefore, signs that the new technology could be provided by Monsanto in the near future and therefore, we want to be ready for it or what is the thought process underlying this settlement?

Vijay Kumar From a long term perspective, we wanted to settle the Financial Year 2015-2016 royalty issue, with Monsanto. Monsanto also suspended licenses to few companies and we do not want to fall down into that situation, we do not want to keep our business at risk. Also we want to strengthen our relationship with Monsanto and have access to new technologies. Whatever you are saying about government and all, it takes its own time.

Abhijeet Akella One last question just with regard to the outlook for FY18, cotton we have been hearing that there is strong demand as you yourselves mentioned in your presentation, yet why only 10-15% growth, would you not except a bit better in cotton and second just on rice, we have had a tough year this year, how do you see FY18 shaping up?

Vijay Kumar From cotton point of view as on date we are expecting good growth from Maharashtra and Gujarat and other parts. AP and Telangana, we are waiting to see how much volume will come back and acreage will come back we will also grow according to the acreage growth. Conservatively we are mentioning 10 to 15%. If more acreage comes back to cotton from the other crops as cotton prices are very high, we will also grow proportionately.

Abhijeet Akella On hybrid rice?

G. S. Satish Hybrid rice dependent on two things, one is overall industry growth and then ours. The last two years market growth has not been as expected by the industry. This year also hybrid rice, we are not expecting a huge growth coming in because there is no trigger which we are seeing there. The other change which is happening in hybrid rice is shift towards finer quality of rice within the hybrid rice market itself. We do not have a product in that segment, so that growth which is coming in we are hampered but the other side is we have launched two new hybrids this year, which should yield good results in the coming future, so we would say that yes, the growth would be probably in a single digit for hybrid rice for us.

Moderator Thank you. We take the next question from the line of Karthikeyan V K from Suyash Advisors. Please go ahead.

Karthikeyan V K Couple of questions, one again I am continuing Abhijeet's question, could you talk about growth in the rice, maize, and cotton, how do you see the portfolio evolving over a period of time say two-three years timeframe?

G. S. Satish Let me take crop wise. , In hybrid rice, as we had said, we have launched two new hybrids in both medium maturity and long maturity, both of them are long slender, so they are not addressing the growth segment which we are talking about, but still the existing market for that itself constitutes to about 85%. so the product of hybrid rice which we launched last year and this year we are going to launch, we are very confident that our growth in hybrid rice over a period of time would be quite good. Bajra is the second crop, we launched three hybrids last year, all the three are performing very well, so we are very confident about our growth in bajra. Maize, we have launched couple of hybrids, one of them is doing very well, so we are very buoyant on the hybrid which we want to scale up. The portfolio in maize is evolving. We have also strengthened our R&D now. Just to tell that this was the question which was there last time. We also have a new head R&D who comes onboard with a significant amount of experience with maize. So we are hopeful that some of these initiatives will pay off on maize in near term. Selection rice is another portfolio which we are mentioning. This year we are expecting a significant amount of growth in selection rice because we have produced well in advance. Our placement has been quite good as compared to the past year and our portfolio is evolving quite well in selection rice. Vegetables in other segment where we have just started work. We are looking in short term to in-license some products and we have invested significantly last year in our vegetable R&D. We are expecting the vegetable our own portfolio to start evolving in a year or two and then that should start contributing to us in the vegetable segment. Overall, we want to scale up investment in R&D and our portfolio would definitely improve going forward.

Karthikeyan V K Second question would be with regard to the competitive environment in cotton and I am leaving it to you without coloring your thoughts on that, how do you see this situation in FY18 and do you see shall we say relative advantage in terms of market environment, how do you see that happening?

G. S. Satish Based on our surveys and our insights into the market, we are still among the top 2 companies for the farmer choice and the top of the mind recall. Translating that into sales is would happen in the next few months. Initial sales which has just started in Gujarat, if it is a lead indicator, we are leading currently where we were not last year, so that gives us confidence that we are still there in the first two position. Yes, there is competition evolving with one of our competitors, but we still see that our products are still preferred. We are still there in the top two amongst the cotton preference for the farmers for the season.

Karthikeyan V K You do not see any of the larger players being affected substantially, and therefore, that giving you a competitive advantage?

G. S. Satish Not really.

Moderator Thank you. We take the next question from the line of Alok Deshpande from HSBC. Please go ahead.

Alok Deshpande My first question is on your top cotton products, so apart from ATM and Jadoo if you could just take us through which are the other three-four key products there and how much is the contribution from the top five cotton hybrids?

G. S. Satish Jadoo and ATM for the FY17 contributed to a larger part of our sales. We have a new product Money Maker, which we are going to ramp up this year. Money Maker should contribute anywhere between 5 to 8% of our sales volumes for the current projection, so that should be a lead product for the coming year. We do have other products 3-by-1 and we are launching another hybrid called 108, but these are very niche products and probably they will contribute to 2 to 3% of the volume.

Alok Deshpande Fair to assume that Jadoo, ATM would be in the range of 50 to 70% or something like that or?

G. S. Satish For this year, yes.

Alok Deshpande Sir, you also mentioned about the guidance on cotton sales, you mentioned in the range of 10 to 15% and also that it should be in line with the cotton acreage growth, so are we not expecting any market share gains this year?

G. S. Satish In We are very hopeful that we will be able to gain market share in the markets of Gujarat and Maharashtra,. There was a major decline in acreage in the states of AP and Telangana last year and at this point in time, it is difficult to say how much acreage will go up. In AP and Telangana, we will be able to grow in line with the market growth. We would be cautious in playing in the credit market where the likelihood of cotton growth is significant, so in AP/Telangana, we expect that we will grow along with the market, but in the other markets, we are confident that we will be able to gain market share in Gujarat, Maharashtra and also Karnataka.

Alok Deshpande The market growth at a pan-India level should be in line with the acreage growth or you expect little bit of better penetration of the organized market?

G. S. Satish It would be in line with the total acreage growth.

Alok Deshpande One last question, if you could just broadly help us to understand the cost structure in cotton hybrids in terms of your margin and the cost structure?

G. S. Satish As stated we have a combination of different years of production. This year production cost is lower, but we are also carrying over stocks from the last year, so depending upon how much do we sell, the cost would then actually be impacted. So it would be a bit early for us to say where exactly we will fall, but given that Kharif 15 was a tough year, we had a higher cost of goods, this year has been relatively lower than last year, so depending upon what combination gets sold, we will be able to then see in terms of our margin which is there.

Alok Deshpande The cotton margins would be lower than the group margins, is that fair to assume?

G. S. Satish Lower than the other corps you are saying?

Alok Deshpande Lower than the other corps and probably is it lower than the company margins overall as well?

G. S. Satish Yes, because other corps are more profitable than cotton.

Moderator Thank you. We take the next question from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda First question is on the seed production side, if you could give some color on the cost of production side, and second, on the cotton side based on the supply chain management that you have done so far, what kind of maximum volume is possible in seeds in FY18, in cotton seeds specifically?

G. S. Satish Coming back to your first question about the cost, as I was saying the Kharif 16 production was relatively much better, the recovery rates were much better than previous year, but the cost would depend up on the combination of the previous carry over plus this year, so that depends on how much do we sell, so the cost it would be quite difficult at this point of time to tell you where will the fall, it all depends upon how much do we sell, relatively this year production was lower than last year. Coming to your second question of how much volume which was there in terms of placement, as I said earlier, we have adequate volumes to meet our growth aspirations which are there, so we have in spite of the write downs, we still have adequate quantity to place in the market.

Pritesh Chheda Hypothetically, is it possible to reach 8.6 million packets if the market is good suppose, can we do 8.6 or that is not possible based on the…?

G. S. Satish With the current inventory, it looks difficult.

Moderator Thank you. We take the next question from the line of Baidik Sarkar from Unify Capital. Please go ahead.

Baidik Sarkar Monsoons in 2016, the previous year was a tad patchy as well, is the pace of your inventory right now will that be more than 4 to 5% this year as well?

G. S. Satish The inventory write down t is a combination of how much did we carryover in the past year, how did the sales go, what is the profile of the inventory which we are holding. , So given that our inventories of the field crops have reduced compared to the past year, and hopefully, if the season goes well this year with the prediction of the monsoon, we are hopeful that our inventory write down would not be to the extent which we had in the past. , But a lot many factors has to happen from now on to the next three months to really give you a good idea in terms of how much inventory write downs will be there. We are confident that at this point in time, that we will be able to bring this in reasonable percentages in the coming year.

Baidik Sarkar Could you give a sense of how advances have looked like this season, what is the quantum of advances you might have got for the upcoming season?

Vijay Kumar Last year, we have received around Rs. 200 crore advances, this year we collected around Rs. 208 crore advances.

Baidik Sarkar That is the 5%, so it does not reflect even 10 to 15% volume growth estimate that we were expecting in cotton right, so I am just trying to see why that disconnect is there?

Vijay Kumar After demonetization, the normalization started happening only in April-May. Initially due to demonetization our collections were also affected so the market is reacting about the payments and all. Actually Rs. 208 crore is good as per our analysis given the market conditions.

Baidik Sarkar So keeping that in context, you also mentioned that you are not raising your credit this season, so would a working capital stress us in terms of our volume growth aspiration?

Vijay Kumar It is not like that, when you participate in credit market, there is a chance of, you do not the how the monsoon will pan, again chances of write-offs will increase, so we are strategically and cautiously moving on the credit market.

Baidik Sarkar Typically, the advances represent what percentage of total sale for the year, net of sales returns?

Vijay Kumar Around 30-35%

Baidik Sarkar Secondly in terms of the status of your SEBI investigation, any update on that, any material findings or when do we see closure on that front?

Vijay Kumar Same status. From August 2016 to now we have not heard anything from the auditors or SEBI. We are also waiting, there is no change in the status. We do not know about when the regulatory authorities will close.

Baidik Sarkar Last question, given that you received Rs. 200 crore in advances, could you give the sense of what kind of discounting might have gone into that pricing there, I am just hopping back to the previous question, but given the industry as such is seeing higher inventory on the back of two-four years, do you think discounting might be higher this year relative to last year?

Vijay Kumar In the similar line as last year. It depends upon how the business will grow, last minute we can take some call, but as on date we are expecting that in the similar line of last year only the discounts will happen.

Baidik Sarkar I am sorry, Sir, I missed this in the opening remarks, could you split up your Rs. 440 crore inventory into cotton and other corps, and what is the ageing of that might be?

Vijay Kumar Seeds, it depends upon on the quality of production, the ageing will differ. As Satish mentioned, 2015 production even it is very close to one-and-a-half year back, but that year production quality is very poor, so many things have to be written-off itself, and again field crops, various crops ageing is different, crop to crop ageing is different. We are only following the FIFO method, but it all depends upon how the sales are going up.

Baidik Sarkar In that case, could you just give us a sense of how much of 2015 inventory you might be holding in the system, just a ballpark?

Vijay Kumar We are following the FIFO method as we mentioned, if most of the sales goes with FIFO and past stock, we do not need to write-off much. But again as geographical conditions, segments and all, we do not know which products will move, which current products will move so the clarity will emerge once the sales has happened and sales returns are crystallized.

Baidik Sarkar In your Q3 call, you mentioned that your yields on cotton seed production is significantly higher this year, and obviously that would result in a 2-3% margin benefit, so since you are following FIFO, is it fair to expect that you will not see the benefit of that margin expansion this year, it will probably come in next year?

Vijay Kumar Most of it will come in to this year, may not be unlikely because as Satish mentioned we have carry forward stocks also, that will be cleared then we will also use the current volume, it is not entirely past one, so that benefit will come to fall on to this year and some benefit will again carry forward to next year.

Moderator Thank you. We take the next question from the line of Yash Jhaveri from Alder Capital. Please go ahead.

Yash Jhaveri Just on this inventory write-off a bit, can you help us understand where in the P&L is this being accounted for and I am sorry I missed the comparable for the last year as well?

Vijay Kumar Last year was Rs. 43.1 crore, this year we are Rs. 66.6 crore. This is part of cost of material consumed and it is not a separate line item.

Yash Jhaveri Could we get what it was in earlier years say FY15, FY14 as well?

Vijay Kumar We will come back as we have given in the presentation also FY16 and FY17.

Yash Jhaveri Just to clarify, would I be write in thinking that this would be in the valuation of the closing stock that has been accounted for, I could not find the Rs. 43.1 crore in the annual report for FY16?

Vijay Kumar No, it is part of the write-off, post the write-off only we will do the valuation. Whatever the saleable seeds are there, for that stock only we do the valuation. The net impact will be in the cost of material. Normally for any company that is the practice

Moderator Thank you. We take the next question from the line of Amit Vora from PCS Securities. Please go ahead.

Amit Vora Sir, of the 300 crore of total cash that we are planning to do, 200 you have told that you will be taking the buyback and that is on what about the rest 100 crore you had told that you will come with the dividend?

Vijay Kumar We never mentioned Rs. 300 crore. Rs. 200 crore is going for the buyback, and also we have to pay to the royalty settlement, we have just concluded the arbitration proceedings with the Monsanto and settled, that payment also will be made immediately in this May-June. Post that, we need to spend some money for the Kharif season, we have to give advances to the growers, we need to spend on sowing. Post first quarter only, we will get a clarity on how much will be there in our hands, then management will take a call on any further distribution required, how much is required to distribute.

Amit Vora Again following up on the previous participant's question, I think the Seed Association was representing this case against Monsanto, so we have stepped aside, does it impact us in terms of any, our status with the Seed Association?

Vijay Kumar In the Seed Association also, many companies are settling with Monsanto independently keeping in mind the future requirements and the challenges they are going to face. We are not the first company that settled with Monsanto.

Amit Vora The leading companies are going with this…

Vijay Kumar Some of the leading companies have settled and also in discussion.

Amit Vora The channel checks right now are suggesting because of strong monsoon and cotton prices being remunerative, they might be some shortage of cotton seeds in the pipeline this coming season, you are also having a similar observation as of now?

G. S. Satish Overall our understanding is that there is adequate supply of cotton seeds. It could be true that there might be some hybrids which the farmers are seeking, there might be some shortage of specific products Overall, in our understanding there is adequate inventory with the industry to supply to the demand which is coming up.

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

Arun Baid Sir, just wanted to ask two things, one is I guess if my memory is right, you were talking about dividend policies after Q4 results, so have we taken some decision on that?

Vijay Kumar See last year we announced big buyback, so once the buyback is completed again we will discuss about anything.

Arun Baid I am asking about dividend policy, buyback is fair enough, we were to supposed to come with some policy?

Vijay Kumar We will come back on that.

Arun Baid By when?

Vijay Kumar First quarter results we will come back along with that.

Arun Baid Second thing is, Sir, the AP government and Telangana government used to have a minimum price which you have to pay to farmers for growing the seeds for us, has that cost gone up, it used to be in 260 to 290 range earlier?

G. S. Satish There is no notification which we are aware of, but yes, there have been some deliberation which some of the district collectors had initiated, but we do not see that there will be any notification coming in that regard before the sowing season, so we do not anticipate that as risk in this production season.

Arun Baid Last year whatever was our cost of productions for seeds, this year whichever seeds you are going to sell, is that cost similar?

G. S. Satish Again, it would depend on the combination of how much do we sell from past and how much from Kharif 16 production.

Arun Baid I am just asking if I produce a seed in FY15 which I sold in FY16 and if I sowed something in FY17 I produced in FY16, this is year in FY18, when I am going to sell the seed I will know my cost of production for FY17, right, I am asking that number is that lower than FY16 number, your FY17 cost of production which you are going to sell in FY18?

Vijay Kumar FY17 cost of production numbers are better than FY16, they are lower.

Arun Baid If I am selling FY17 seeds a bit more, logically the margin should be better off in FY18?

Vijay Kumar It all depends upon how much go with opening inventory that the Kharif inventory and how much from the FY17 inventory, but the cost of production may be little bit lower.

Arun Baid Sir, we do know our inventory which we have on March 31st broadly, so based on that and you will have a mix because out of our sales of cotton if you look at, you have advances of about Rs. 200 crore and last year's sales was Rs. 358 crore, so roughly more than 50% of the sales you have an indication and our major sales are the ATM and Jadoo which is like 50 to 70% of the sales which you indicated, so we will broadly have an idea of the cost, right?

Vijay Kumar That is all combination. Definitely some cost of production advantage will be there, but we cannot arrive at the figure how much it will be, it all depends upon once the sales is over and sales returns are crystallized.

Arun Baid Broadly, what I am trying to indicate is cotton margins, we used to have Rs. 200 a packet as our profitability EBITDA per packet, will that number hold in FY18, whatever may be the mix?

Vijay Kumar Exact numbers I cannot tell, but it all depends upon the schemes and discounts and combination of schemes, but it will be better than last year.

Arun Baid Last year, what was our profit per packet in FY17?

Vijay Kumar It is not feasible to give an exact number – there are a lot of variables involved.

Moderator Thank you. We take the next question from the line of Jigar Valia from OHM Group. Please go ahead.

Jigar Valia Two questions, one is for the rice market, can you give some color, which are the states or markets where we cater to and what is the distribution mode that we use?

G. S. Satish If it is hybrid rice market, most of the market is in the eastern part of the country, Uttar Pradesh is the largest market for hybrid rice, then followed by Bihar, Jharkhand, Chhattisgarh. Punjab and Haryana are the other markets which are there. Other than that, small market exists in Gujarat and MP. Hybrid rice is very negligible in the south, and the. Predominantly about 80% of the hybrid market is covered by the northern and the eastern part of the country only. The other part is selection rice, that is also driven primarily by UP, Bihar, and Chhattisgarh, There is a market for selection or research paddy in South also but not as big as the North market.

Jigar Valia As Kaveri, we are more into selection rice or hybrid?

G. S. Satish If you look at our revenues last year, both of them contributed to similar numbers last year. This year we are expecting significant growth in the research rice, that would be significantly higher than hybrid rice hopefully.

Jigar Valia Next question is coming back to the Maharashtra notification issue, if you can give some color what were the concerns raised and for what thing are they doing the sampling?

G. S. Satish Every company when they sell cotton packet of 570 grams is expected to put 450 grams of Bt seeds and 120 grams of non-Bt, which is called as refugia. This is mandated when the approval was given to manage the resistance. The farmer is supposed to plant that 120 grams of non-Bt seed along with the 450 grams of Bt seed. Last year, the department had picked up samples of non-Bt from various companies, and they had done tests within their labs and they came back saying that there was Bt content in the so-called non-Bt refugia packet so that was an issue which they had raised with the industry.

Jigar Valia Seventeen companies overall are impacted and you are expecting a resolution in about a week's time?

G. S. Satish Yes.

Jigar Valia Also given that Nuziveedu is also been cleared, the court proceedings, etc., their market is more likely to be the AP, Telangana market and not so much of the Maharashtra market and is it fair to understand that since there were not in the market for some time, they were not impacted by the Maharashtra notification, but they might also not be so significant player otherwise in the Maharashtra?

G. S. Satish We cannot comment on their position.

Moderator Thank you. We take the next question from the line of Sanjaya Satpati from Ampersand Capital. Please go ahead.

Sanjaya Satpati Sir, my question is that the company has seen big declines in last couple of years and things have been very volatile, one thing that I just want to understand when I will be going back to peak profitability and consistent performance rather than the volatility that we have seen in the past?

Vijay Kumar It all depends upon how the monsoon is, we have to do the business accordingly. We are ready to meet the market requirements, but last year we have seen, FY15, there is a severe drought; FY16, there is a reduction in the volumes of the cotton due to commodity prices and all. Our business depends upon the monsoon conditions and the international market commodity prices. These two will drive the business. Also ours is a seasonal business, Kharif will have more sales, Rabi is reasonable, out last quarter is the lean quarter because they do not fall under Kharif or Rabi.

Sanjaya Satpati Sir, basically my question was that since we are getting into vegetable this and that, is there some kind of visibility that it will be less volatile going forward and with regulations behind you in terms of all the worst things, is it going to be less volatile, number one, and number two is that when are we going back to the previous peak, and lastly if you can answer that, is there any big scope of cost reduction through reduction of returns etc.?

G. S. Satish As Vijay was saying, last three years have been particularly tough for the industry itself, not just for Kaveri, so overall it has been a tough one for the farmers also. Turnaround in the industry would be important for our growth also. Strategically, we have been looking out to diversify our risk and one of our stated intention has been to reduce our dependence on cotton. We do understand it is a large part of our business and there is price cap which limits our ability to price our products, so consciously we have been working towards diversifying our risks and increase the contribution of our non-cotton business and we have taken some steps and the results are there. We hope to continue that in the coming future. Coming to the vegetable business, it is non-volatile business, it is throughout the year business and it is a growing business, so I think we are at the right spot to capture the opportunity which is there for vegetables Our endeavor is to be more consistent, be more predictable as part of the business, and ensure that the growth continues. And going forward ; our intention is also to diversify our risk by creating business opportunity outside of India In the past year, we spent a lot of effort trying to get the whole vegetable piece together both in terms of R&D, supply chain, and sales and marketing. For the coming year, one of our important initiatives would be to look at how we want to diversify our risk of creating business outside of India. So overall strategically we would like to continue our growth and reduce our dependence in cotton and increase our non-cotton contribution. Compared to any other peers in the industry, we are better placed than others because of the number of crops which we are present whereas many other companies are dependent on the very few crops and their performance would be dependent on the opportunity of that particular crop in that particular year. I think compared to any other peers, Kaveri is best placed to play the market because we are in different crops. So we are confident that we would be able to continue the growth in the coming future.

Sanjaya Satpati My last question is that, is there any big scope of cost reduction through better inventory management and returns?

G. S. Satish In terms of return management, we have been trying our best to bring it down than in the past. There have been reductions in FY17. We would try to still look at opportunity in terms of a better understanding, placement, quicker returns, and better inventory management. Yes, there is still room for us to do a much better job than what we have done in the past.

Moderator Thank you. We take the last question from the line of Omkar Kulkarni from Individual Investor. Please go ahead.

Omkar Kulkarni In our interview given to the TV channel yesterday, you mentioned that overall revenues for FY18 will see a growth of around 15 to 20% from FY17, so can you confirm that?

Vijay Kumar It all depends upon the markets and monsoon. As on date, we have placed according to our market info, we are geared up for expected growth.

Omkar Kulkarni Your first quarter almost accounts for 75 to 80% of revenue and profit and almost two months have gone of the first quarter, so you must be having some view?

Vijay Kumar Business will start once monsoon hits, so it all starts in June only, April-May nothing will be there. Kharif fully depends on monsoon.

Omkar Kulkarni The 12 months contribution will be only in the last month of this quarter?

Vijay Kumar Majority from Kharif season.

Omkar Kulkarni As the last participant mentioned that can you safely say that the worst is over for seed industry, Kaveri as a company, because last two-three years have been very volatile?

Vijay Kumar That was already addressed by the Satish, we are working in many ways. We are addressing export markets, we are also looking for vegetable seeds business, so we want to mitigate the risk by going into the many crops.

G. S. Satish The last two years have been tough year for us. We have taken a lot of steps in the last two years. We are confident that we are better positioned than what we were. We definitely feel that the coming years would be better for us.

Moderator Thank you, that was the last question. I now hand the floor over to Mr. G. S. Satish for his closing comments. Over to you, Sir.

G. S. Satish Thank you. 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 relationship desk and thank you and have a very nice day.

Moderator Thank you. Ladies and Gentlemen, on behalf of Kaveri Seeds that concludes this conference. Thank you for joining and you may now disconnect your lines.

- ENDS -