



27<sup>th</sup> May 2022

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

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

Dear Sir/ Madam,

**Sub: Transcript - Kaveri Seed Q4 & FY 2021-22 Results Conference Call on  
Tuesday, 24<sup>th</sup> May, 2022 - Reg.,**

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Please find attached herewith Transcript of Kaveri Seed Company Limited Q4 & FY 2021-22 Results Conference Call made on Tuesday, 24<sup>th</sup> May, 2022.

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

<https://www.kaveriseeds.in/investors/financial-information/#tab-transcript-of-conference-calls>

This is for your information and records.

Thanking you,

Yours faithfully,

**For KAVERI SEED COMPANY LIMITED**

**V.R.S. MURTI**  
**COMPANY SECRETARY**  
**ACS - 3566**

Encls: a/a.





# “Kaveri Seeds Limited Q4 FY22 Earnings Conference Call”

**May 24, 2022**



**MANAGEMENT: MR. MITHUN CHAND– EXECUTIVE DIRECTOR, KAVERI SEEDS LIMITED**



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**Moderator:** Ladies and gentlemen, good day and welcome to Kaveri Seeds Company's Q4 FY22 Earnings & Full Year FY2022 Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Please note that this conference call will be recorded. Joining us today on this call is Mr. Mithun Chand – Executive Director.

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

**Mithun Chand:** Thank you. Good morning and welcome everyone to our Q4 FY22 & FY22 Earnings Conference Call. We hope you have had a chance to review the presentation of our results which is also available on our website. I would touch upon the operational financial performance of the company. Then open the floor for the question and answer.

The contribution from new variants is growing at healthy rates across rice, maize and vegetable seeds segment. Our revenue and volumes during financial year 2022 were impacted due to supply chain disruptions on account of overall shutdown for the country in the first quarter of the year. This has led to low commodity prices and low confidence among our farming community. The impact for the first quarter still shows an overall performance of the year. These have impacted both cotton and non-cotton crops showing pattern during the current year. The revenue of cotton and maize were impacted and rice and vegetable seed performance of the company during the year was better than other seeds segments. Besides that we have lost some Government business due to non-calling of tenders. Having said that, company had outperformed better than the industry across the seed segments both on revenues and volumes terms, in spite of prevailing non conducive environment in the country. Currently, overall confidence among the farmer fraternity and general trade in the country has improved to either pre COVID levels or better than that. The demand driven increase in commodity prices across the world is also driving and sowing pattern of our farmers and we have been detecting good demand across cotton, rice, maize and vegetable seeds.

Revenue from operations for the quarter was at Rs. 54.56 crore as compared to Rs. 55.08 crore in Q4 FY21. EBITDA in Q4 was at Rs. (7.1) crore as compared to Rs. (7.7) crore. Net loss of Q4 FY22 was at Rs. 13.09 crore as compared to Rs. 14.32 crore. Revenue from operations were at Rs. 915 crore as compared to Rs. 986 crore in financial year 2021. EBITDA was at Rs. 238.41 crore as compared to Rs. 334.89 crore in FY21. Net profit was at Rs. 208.9 crore as compared to Rs. 305.3 crore. Cash on books stood at 468 crores.



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Cotton volumes decreased by 24.29% and revenue decreased by around 23.04%. Expecting cotton volume to take a lead from this year and the demand would increase during the financial year. Hybrid rice volumes increased by 19.2% in FY22 and revenue by close to 30%. The new contribution of hybrid rice was up from 68% to 75%.

During FY22, hybrid rice sales were not encouraging, in spite of that the company has grown its hybrid rice revenue by more than 40% and had gained the market share. The prospects for hybrid rice growth during FY23 is better than FY22. Selection rice volume grew by 6.26% in FY22. Maize volumes decreased by 16% and revenue by 7.69% in FY22.

The contribution of new products in maize was up from 10% to 24% of volumes. Vegetable seed sales volumes increased by 21% and revenue increase by 18%. The contribution of new products in vegetable seed was up from 23% to 56% of volumes. Considerable revenue growth is expected in vegetable seed in FY23.

India is going to play a major role in cotton as a commodity in terms of production and integrating into a value-added production for the World. Launching 8 to 10 new products every year across seed segments to drive revenue growth. As a part of rewarding our shareholders, the company has bought back shares worth of Rs. 120 crore during the year. The company had declared total dividend of 200% on a face value of Rs. 2 per share during the current year. Company's motto is to deliver consistent growth on both revenue and profitability, better margins, build sizeable new products, invest in R&D to have new pipeline of products, looking for breakthrough technologies in the market to utilize surplus cash in the books of the company. Any major shift in adoption of hybrid rice, maize and vegetables and increase in volumes for the cotton seed are going to drive the growth of the company.

Now I would like to open the floor for the question-and-answer session.

- Moderator:** Thank you. We will now begin the question-and-answer session. Our first question is from the line of Nitin Awasthi with InCred Equity. Please go ahead.
- Nitin Awasthi:** Firstly, what is the pricing for the cotton seed for this year, as compared to last year?
- Mithun Chand:** The prices are up by around Rs. 40 odd as compared to the previous year.
- Nitin Awasthi:** The last time around the cotton price selling price for the company was around Rs. 620 odd you are seeing a Rs. 40 rise, so if the company is able to rise Rs. 30 from that it should be approximately Rs. 650 this time around?
- Mithun Chand:** When compared to the last year, as I explained earlier before the call got dropped the prices are up by Rs. 40. But we need to see how far we can realize from the dealer community. Last time the sentiment was really bad and we couldn't encash it on the increase in the price as there



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were lot of movement of the unbranded seeds in the illegal Bt. Compared to last year what we have seen when the commodity prices are high, the sentiment for the crop is also up, today just might go up in cotton and we see illegal Bt may come down as compared to last year. But even in this scenario we see that as the inventories are high in the industry, we see that we may not realize the actual increase in the prices, but we will try to see based on the situation basis which we have during the year and whether you can realize that 40% mark.

**Nitin Awasthi:**

Noted. And sir you also pointed to the illegal cotton seeds, last time it was a menace. And wanted to understand how big is the menace this time around, is the impact going to be as severe because the news reports saying that it is actually bigger than last year, the problem of illegal seeds?

**Mithun Chand:**

What we see is the illegal usage of the unorganized segments as compared to use of HTBt seeds. It may not increase than last year. The initial sentiment or the initial feel what we get from the market is that, last time the farmers have really suffered in terms of the low yields and seed was really very bad in terms of the performance when compared to the branded seeds. So, as a sentiment it is not as great as what it was earlier. Definitely the usage will be there. It has given a mix sentiment from pocket segment that whatever we see the increase in the cotton acreage is that will only come for the branded seeds, that is what our initial feel is. But at the end of the day again if monsoon arrives at the right time then the usage of seed from organized players like us will definitely come up. As of now we see that it will all come to the organized sector.

**Nitin Awasthi:**

Sir, your Gross profit seems to be under stress in your non cotton segment which used to be predominantly more than 50%, slowly steadily sliding down and is now closer to 45%. Are you taking price hike because I don't believe in the commodity which the raw materials that you use might have gone down, if that is why? Are you taking equivalent amount of price hikes to cover up this gross profit loss?

**Mithun Chand:**

You all should see the profitability. If you have seen in the last 4-5 years non cotton crops are more profitable than the cotton crop and whatever increase in the commodity price and whatever increase in production side whether it will be 0.5% of the total value in price. So, that is not an issue in passing on to the farmers. But if you see on the other side, the cotton revenues are down by more than 20%. Actually, that has impacted the profitability, but if you see as a whole the other expenses have gone up in the cotton sales that have impacted the profitability to some extent. And from non-receipts from the government payments, we are provided for the same, as a policy if we have not received from Government in two year we provided for that, that has also affected to some extent the profitability. Otherwise in the crop wise segment non cotton crops are more profitable than the cotton crops. To answer to your point, whatever increase in the price or whatever increase in production price we tend to pass it on to the farmer and that is not our issue.



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**Nitin Awasthi:** Sir, there was a ruling by the Telangana authority, in two separate rulings it said that GST is going to be implemented on seed sector because seed is different from grain and is not an agriculture produce. Could you shed some light on this ruling because if this ruling is true wouldn't this mean that income tax would also start being levied on the agriculture sector specifically on the seed sector because this ruling could set a precedent for the same?

**Mithun Chand:** This ruling is related to specific case of an individual company, that is not given to the industry as such because the operations of that particular company which has applied for the clarification was different. And that is not for the entire seed segment, that is for the processed seeds which usually we take on job work, so that they need to follow that. But otherwise as a company, as an industry we are not following that and we are not looking at from that angle.

**Nitin Awasthi:** Sir, last question from my side. There was a ruling passed on gene editing for seeds. How advantageous is this for the company and industry, is it advantageous at all. Is it like bypassing the GMO regulation and now something can actually happen because gene editing is something which was not allowed, now it is allowed?

**Mithun Chand:** Definitely that is a good sign for the industry. It is not a particular decision, particular case, but what we need to see is that the Government's intention to these new technologies. If you see in the past 7-8-9 years nothing was moved again in terms of the upgradation of the technology or picking up the new technology. In the current year to say in the last 6-8 months as the movement the Government acceptance on the companies for providing technologies and the seed industry also, we are working proactively in terms of getting the new technologies in to the country. And what we have witnessed here is that is on HTBt how it has become popular even though it is illegal, if we don't tend to make new technologies accept in the country, people will get sourced from illegal sources and that is not beneficial for the farmers of the country. So, the Government is also understanding that and the technology providers are also working for the Government. What we see from the first mode going forward the government will be acting very sharp in terms of getting new technologies and the work is in the advanced stages. So, what we see is that you can definitely see some action, you can definitely see that the new technologies can be allowed in India as early as possible.

**Moderator:** Thank you. Our next question is from the line of Sarvesh Gupta with Maximum Capital. Please go ahead.

**Sarvesh Gupta:** Sir, 2-3 questions. One is on the maize side we had a bad year. Can you shed some more light on the performance in the maize segment that is my first question?

**Mithun Chand:** So, if you see the overall growth, overall performance of the year, as an industry the entire hybrid seed industry was under performed, I mean it has not grown as it has grown in the last 10-12 years because of the COVID in the first quarter and being the worst quarter in terms of



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the effect of the COVID second wave. And the commodity prices were really low. If you see the commodity prices what was there for maize and rice and the cotton were half the price of what it is now during that first quarter. So, the sentiment and the adaption of the farmers intention to spend more on that seed or any other input was a bit down in the first quarter. And that has impacted the actual growth of the hybrid seed. But that is a very temporary process and what we see now, the sentiment is that the hybrid should grow higher than it has grown in the previous years and there are many reports that we have seen in India growth of 10%-12% for the next 15 years. We are quite bullish about the growth we have seen. For maize even though the industry was bad we have done well in terms of the trade. We were down only in terms of the Government business as we have mentioned in the presentation as the Government was not able to call for tenders and they were not able to give subsidies in certain States. And we were not able to participate in that. And that has impacted sales to some extent. But otherwise, if you see the normal trade apart from the Government trade they have grown in the normal trade and the revenue is also up. So, what we see as a crop, maize will be a very big crop and Government is pushing for that and we will all definitely improve the maize consumption and the fodder is also going higher and not only for us even for the industry, the human consumption is also going up, in all three aspects we have seen in fodder and human consumption what we have seen is maize is a very big crop. And definitely the maize will increase down the line. And we are very confident about the growth of the industry and we will definitely outperform the growth of the industry because of lot of spending in new hybrids in maize. We are launching in sweet corn also. So, it will be very lucrative one in the portfolio. We still tend to work into it.

**Sarvesh Gupta:**

So, the earlier guidance of 15%-20% growth in the non-cotton side stays for sort of this year?

**Mithun Chand:**

Definitely, if you see, even if you take the non-cotton segment this year, we had grown at 15% odd. And the contribution of the non-cotton segment has come at 65%, close to 65% from 25%-30% four years back. So, that shows the depth of the non-cotton segment and if you see rice, even the industry was having muted growth. We had grown by more than 40% in hybrid rice. So, that shows the strength of the product and the portfolio. And we still had lot of area to be covered under rice. So, rice, maize, vegetables are the big crops which can have a tremendous potential going forward which can definitely grow. In cotton too we have a chance to grow, it might remain sideways on a longer trend, but in a short-term basis cotton also looks good.

**Sarvesh Gupta:**

Sir, what is the inventory that we are planning for cotton for this season as compared to last year?

**Mithun Chand:**

We have reduced rates, we think that the cotton acreage has gone up close to 15% as compared to the previous year and we will grow in line with the industry. We will be growing between 15% to 20% in cotton.



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- Sarvesh Gupta:** So, 15% to 20% for cotton?
- Mithun Chand:** Yes.
- Sarvesh Gupta:** So, we will still be below FY21 level in a way because last year we had degrown by 24%?
- Mithun Chand:** 23%, so we are very inclined with those numbers. Again, we need to see the sentiment of the crops, if it looks good, we think that will come up by 15%. So, we are seeing high growth in the operation. Based on that our growth varies. But definitely we see a growth in business.
- Sarvesh Gupta:** And what is happening on the cost side, sir, I mean in terms of what we provide to our farmers for growing these seeds, any escalation there?
- Mithun Chand:** On the production cost, in terms of the production cost there were slight increase in the production cost but not much.
- Moderator:** Thank you. The next question is from the line of Himanshu Upadhyay with O3 Capital. Please go ahead.
- Himanshu Upadhyay:** My question is related to maize only. What we have stated that new products contribution has increased significantly from 10% to nearly 24% and which effectively means old products have gone down. Is it that the Government only buys the old products or they even buy new products but just we have been not able to sell them? What does this signify and was the brand pretty big in the old products which was there in maize and hence brought around the whole market, I mean for overall volume for us?
- Mithun Chand:** If you see when you talk about the Government, usually we supply to the Government, the variety which have already proven in the market, they don't take chance with new varieties. So, that need to be met, that need to be in the market for 3 or 4 years, So, that way the new ones which are increasing in the market may not be a part of it, Because the new hybrids whatever we are launching are very high segment hybrids and very specialized hybrids. For example, we are launching new hybrid in maize that the prices are very high and that is only for specific areas where you can grow that. So, these are type of hybrids we are launching. So, the product mix is already changing, if you see there are certain areas even though the volumes are not that high in terms of the year-on-year basis but the revenues are high. If you recollect what we were saying 7 or 8 years back, we were moving to a series of hybrids with high yields and the prices both are high. So, we are moving with those type of segments and volume of 80%-85%, we will see in those hybrids in our portfolio. So, that is what we are shifting to.
- Himanshu Upadhyay:** And see, we are introducing many new products across the board and even in some of the crops we need to enter, penetrate more. What special efforts are we making on the sales side





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and marketing side to grow the revenue besides cotton, so in the cotton segment what special efforts are we taking?

**Mithun Chand:**

If you see our portfolio, we are the only company in India who have a huge product portfolio. We are there in both cotton and non-cotton segments and we feel most of the companies have cut down in the products in cotton or any other crops. But as a company we are the only company in India who are strong both in cotton and non-cotton segment. We operate especially in maize and we are anyhow big in the top three. But if you take even maize, like bajra now we are doing good work in that also. If you see these, we are in the top 3 in these top 5. And the presence of the company in more than 25 States across India and even in terms of marketing network or presence across India we have highest network as compared to any other company. And therefore, you can always see in the volume growth. If you see hybrid rice volumes, in the last 4 years we are doing more than 40%-50% year-on-year growth, although we had started with the small bid that now we are close to 10% market share in hybrid, 10%-12% market share in hybrid rice, from less than 2% market share in last 4-5 years that itself showed the extent of the product and our distribution network and the efforts too, if we talk in terms of the contribution from the non-cotton segment in the last 6-7 years it has come from below 25% to almost like 65%. That is what the extent of the growth rate in non-cotton and still going forward non-cotton segment is going to do more sales.

**Himanshu Upadhyay:**

And one small thing, one basic question. When we say new product or new hybrid rice contribution has increased, so how do we define this? Is it 3 years vintage, 5 years vintage, one year vintage?

**Mithun Chand:**

We don't have any specific guidelines for that, but when you see in rice, these are hybrid varieties and couple of varieties which still have the potential to grow up large in terms of the market share there are many areas where it can grow and really when we talk about the hybrid rice what we see is launch of 4-5 years, but when you see and when you talk about it has been still growing at much faster than 30%-40% because with this scope the penetration is higher, but depends on whether it is new or not, anyhow it has been below 4 years it should be called as new based on the potential we say it has got.

**Himanshu Upadhyay:**

And in the last year effectively how many crops and new products we would have introduced in all the four segments?

**Mithun Chand:**

See, again that depends, like definitely not in less than 20 hybrids, but all the hybrids, all the variants which may not come up because some may not work in the markets.

**Moderator:**

Thank you. Our next question is from the line of Sanjay Satapathy with Ampersand Capital Ltd. Please go ahead.



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**Sanjay Satapathy:** My first question is that, now you are looking at better fiscal 23. So, will your margin also go back to what you had seen in fiscal 21 along with recovery in revenue?

**Mithun Chand:** We said the margins will be in line with the previous years in the start of the year itself. As business and everything gets normalized and it is almost normalized now we don't see any failure on the margins. In fact we go back to previous and saying that the margins will definitely achieve growth and that will happen soon.

**Sanjay Satapathy:** And sir, if I can just ask you, in your balance sheet, I could see that your inventory for some things have gone down a lot and overall inventory is not really higher as much on a year-on-year basis. Has that got anything to do with your demand outlook and related to that so you were looking at certain amount of growth. But are you prepared for a much higher demand if that happens considering the kind of inventory that you have?

**Mithun Chand:** Basically, if you see the inventories, inventories are inline with the last year. So, we have enough inventory of cotton. So, we are in to production. So, that is driving the value of the inventory. Apart from that the non-cotton segment the inventories are much higher than last year. So, as a policy what we produce is only for the demand. So, when we are talking about 15% to 20% growth we have inventory for that and we are doing that. Nothing to worry about the inventory. I think, cotton inventory was down because we have enough inventory which is base, we are planning accordingly.

**Sanjay Satapathy:** My question is that for several years now, overall growth has not been there in Kaveri, while the product mix has changed a lot. And every year has its own challenges. So, you had some kind of a plan that after changing the product mix you would be able to consistently grow on a 15% kind of basis, so do we have that kind of visibility from here on?

**Mithun Chand:** When you see our retail growth for last 5-6 years, see our product mix contribution, cotton was more than 75% and as an acreage and as a volume the cotton is down in the company cotton was down by more than 25% based on regulations, if you go back to 14-15 levels, the cotton was generally down. And it is kind of coming up in the previous year at about 25% over and above the cotton sales. So, these are impacting the revenues. But if you take the actual volumes as such, except for the cotton all other crops have come up and if you see now the cotton has come back significantly, even that cotton is significantly higher but in terms of the contribution to the revenue it is much lower than what it was earlier. So, this year onwards you can see the growth.

**Sanjay Satapathy:** And related to that, considering that you have been paying out through buying back and still you have lot of cash, is there a possibility of Kaveri kind of getting into some kind of non-seed business and make it less seasonal and less monsoon dependent and is there any bigger plan of investment or you will just stick to what you are doing now?



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**Mithun Chand:** So, basically, we don't have any thought as of now to go to other segment because seed is a segment which still has a potential to grow more than 12%-15% year-on-year basis and when you see seed market compared to other seed markets, it is much lower, the penetration is lower and scope for growth is pretty high and we are getting new technologies. Now we are expanding into other countries. So, in terms of our approach, we will be spending for the seed business only. And that is the reason we are rewarding shareholders in the other aspect. I mean when new technologies arise, we will use the cash, but as of now whatever trend may be, we want to be in the seed segment and still we see long way to grow in seeds.

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

**Sumant Kumar:** My question is related to cotton seeds. So, you guided a 15% to 20% growth in volumes. So, whatever the growth guidance you've given the total number of packets are coming to around 6.4 on basis of FY22. But what we are expecting in FY22 is one of the bumper cotton crop showing and still we are lower than 7 million packet, 7 to 7.2 million packet we have reported in FY20 and 21. So, why our guidance is lower, can we expect a 7 million packet sales or more than 7 million packet sales in FY23? If not is there any challenges in the current market scenario?

**Mithun Chand:** So, if you take out the crop segment even though the cotton crop looks good but all the commodities prices are high if you take maize, if you take rice any alternate crop like Soya or pulses all the prices are high. In terms of the growth in the cotton market we will be only in the 10%-15% market, we are anticipating growth of 10%-15%, we as a company we are saying that we will be growing at 15% to 20%. So, we will grow in line with the industry. If you say the industry will grow by 30%-40%, industry can grow by 10%-15% not more than that because all the alternate crops are also growing. So, what I would rephrase is that we will grow better than the industry.

**Sumant Kumar:** By any chance do you think the scenario going on the ground and overall cotton price is higher as compared to other cost, the profitability is better. In that case do you think if you can revise your guidance in maybe or you can show a 7 million packet, any positive indication?

**Mithun Chand:** Sir, we have enough industry, we have the network, we have the channel acceptance in the farming community. So, industry growth in that fashion will definitely come; one of the effect will be growth, but it doesn't mean that same, we will have the first advantage for that in terms of that But what our anticipation is that when you see the alternate crop apart from cotton we shall make up for Soya, for pulses any other alternate crops, all the commodity prices are good. So, on that front, overall in the country what we see is that it will grow between 10%-15% not more than that. By any chance if the cotton acreages grow more than our anticipation then definitely we have inventory, it shouldn't be a challenge to take the market share.



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- Sumant Kumar:** So, you are saying cotton 15% to 20% correct, cotton volume growth?
- Mithun Chand:** Not the company, for the company we say 15% to 20%, for the industry it should be 10%-15%.
- Moderator:** Thank you. There are no further questions. I would now like to hand the conference over to Mithun Chand for closing remarks.
- Mithun Chand:** Thanks for the call. For any other further queries you have, any questions please feel free to ask the investor relations desk or you can contact them and we will be able to help you. Thank you.
- Moderator:** Thank you. On behalf of Kaveri Seeds that concludes this conference. Thank you for joining us and you may now disconnect your lines.