

kaveri seed company limited



25th November 2020

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Exchange Plaza, 5th Floor,
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Dear Sir/ Madam,

**Sub: Transcript - Kaveri Seed Q2 & FY 2020-21 Results Conference
Call on Wednesday, 11th November 2020 - Reg.,**

Please find attached herewith Transcript of Kaveri Seed Company Limited Q2 & FY 2020-21 Results Conference Call made on Wednesday the 11th November, 2020. 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



C. MITHUN CHAND
WHOLE TIME DIRECTOR

Encls: a/a.



Kaveri Seed Company Limited Q2 and H1 FY21 Earnings Conference Call Transcript November 11, 2020

Moderator: Ladies and gentlemen, good day and welcome to Kaveri Seeds Q2 and H1 FY21 Results 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 * and then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rishab Barar from CDR India. Thank you and over to you, sir.

Rishab Barar: Good afternoon everyone and thank you for joining us on Kaveri Seed Company Limited's Q2 and H1 FY21 Conference Call. We are joined today by Mr. Mithun Chand, the Executive Director.

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

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

Mithun Chand: Good day everyone and very warm welcome to all of you. I hope all of you are safe and healthy as we battle across the pandemic together. We are happy with our progress in the quarter and half year under review. For first half 2021, revenue stood Rs. 853.5 crore against Rs. 745.23 crore against first half last year, a growth of 14.53%. Operating EBITDA margins excluding other income stood at 35.57% in first half of 2021 versus 34.27% in the corresponding 6 months. PAT at Rs. 319.82 crore is higher by 31.2%. Our balance sheet remained strong, total cash on books as on September 30, 2020 stood at Rs. 481 crore, Rs 41 crore increased from Rs



440 crore as on September 30, 2019. Almost all this cash is invested in mutual fund scheme of varying duration. The board of directors have recommended an interim dividend of Rs. 4 per equity share of face value Rs. 2.

Moving onto our business performance; we have gained market shares in cotton in Gujarat and Haryana while there have been some losses in Telangana and Andhra. Our new products including KCH-111, Money Maker and VIPLAV had all performed encouragingly translating to an improvement year-on-year in new product contribution from 31% to 35%. Industry wise, cotton acreages have been largely stable. Some states like Gujarat, Maharashtra, part of Tamil Nadu have seen some decline in the acreages due to the increasing attractiveness of other crops such as soyabean, ground nut and chillies.

In line with our business strategy, the growth in our non-cotton portfolio has been particularly strong at 35.58%. Volume growth in new hybrids combined with good price appreciation of our three products contributed positively. Maize volumes increased by 36.78% in first half 21 with contribution of new products increasing to 8.34% of the volume. Overall maize acreages have been stable, heavy rainfall in October and fall in prices is however likely to see a decline in acreages in the rabi season. Volumes of hybrid rice, selection rice and vegetables have all grown extremely strong on the back of successful product introductions. Hot pepper, okra and tomato, all have driven this growth in vegetables.

Kaveri Seeds has also featured in this year's edition of Forbes Asia's Best Under a Dollar, being among 200 Asia Pacific public companies which less than \$1 billion in revenue and consistent top and bottomline growth. Going forward, we expect our products in maize, millet to contribute to show good growth. We all are very positive about the prospects of our vegetable portfolio. Heavy rains in October combined with muted commodity prices may see pressure in cotton and maize though.

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

Moderator:

Thank you very much sir. We will now begin the question and answer session. We have the first question from the line of Rohit Nagraj from Sunidhi Securities. Please go ahead.

Rohit Nagraj:

Sir, the first question is on cotton. So in the commentary, we have suggested that the prices have been lower and the inventories have been high, so what is your expectation for next Kharif season and in terms of our seeds, how are we placed for the next season?

Mithun Chand:

Particularly, in terms of cotton, we see that the areas may remain same, not much declined. As of now, it is just (+/-5%) from these current levels. There should not be a much of a difference for our sale and our forecast but the other point, what we need to understand here is that we have very limited options to replace cotton, so I think the cotton acreages will remain 5% for the next year I think. In terms of the inventories, we are hoping that 10% growth in the cotton, for that we have started producing it and we are in line with it.



- Rohit Nagraj:** Second question, again pertaining to cotton, we have mentioned that the HTBT sales have been about 50 lakh packets, so any action against that and so next year again, we would see a similar kind of improvement from HTBT?
- Mithun Chand:** Our governments are good, central and state governments are taking strict actions on that, but still we are seeing HTBT getting popular in the market. I think again we may slightly increase in the HTBT as of now, but it is too early to say because we have been sourcing on HTBT this year, so it should remain 5 years.
- Rohit Nagraj:** One last question on guidance, so what is the updated guidance for FY21 now?
- Mithun Chand:** You are talking about this year?
- Rohit Nagraj:** Yes, this year, so earlier we had I think 10 to 15% overall growth with about 15 to 20% bottomline growth. Now, first half is done and the cotton has been slightly muted. So how do we look for the FY21 now?
- Mithun Chand:** As we said, we are trending between 10 to 15% growth in the topline that we have already witnessed in the first half The second quarter anyhow is a lean quarter compared to the first. Even so in second quarter, we had a very good season last year, we had very good maize last year. This year by seeing the commodity prices and especially with some state governments are discouraging that, so that may impact the maize acreages this year and at Kaveri, we had different portfolio, we have rice, wheat, wheat is growing in some parts and we have vegetables, so I think we can do the same sales of last year. I don't think it should impact much as our topline, but the growth we need to see, once the season the starts we will let you know. Anyway, it would not impact much on our profitability or the topline.
- Moderator:** Thank you. We have next question from the line of Nitin Awasthi from East India Securities. Please go ahead.
- Nitin Awasthi:** Number of questions from my side, I will start with maize, so like you said many state governments are discouraging the cultivation of maize because of the lower prices of maize currently hovering in the market, so what do you expect, you expect to do the same numbers that we did last year in maize or actually lower because you will also suffer due to the market shrinking or will you actually gain market share and be equal to last year?
- Mithun Chand:** In terms of the maize, we have very good market share in the areas where we operate in rabi and definitely by comparing last year to this year, the maize acreages will be down and we are really impacted by the downfall, But as a whole at Kaveri, because we are doing very good in vegetables and rice and wheat, r, so that may compensate the losses in maize. So as a whole, we don't see much of an impact on our topline. But if you talk in particular about maize definitely there is a decline.
- Nitin Awasthi:** And sir, secondly on rice, have the realization sharply dropped or is there something which we are missing, per the realizations per kg per bag or whatever, however, we calculate it compared to the previous quarter, have that dropped significantly?



Mithun Chand: No, it is in line. Slightly, the cost of production has gone up this year and we are not able to increase the prices in rice segment, that is the reason you are seeing slightly increase in the cost of goods, otherwise it all remained same.

Nitin Awasthi: But the selling price per kg etc. is similar to last year?

Mithun Chand: Yes, slightly Rs. 2 to Rs. 3 realization drop in some varieties of rice.

Nitin Awasthi: This time around vegetables, this quarter for the first half it has seen an amazing growth, but for this quarter, we have been on the little downside on the vegetable front, although we have launched a lot of varieties etc., but any particular reason. What I am trying to get at is that because of the varieties that we have launched, will the growth be seen in the second half and was that launched in the later stage of the quarter?

Mithun Chand: If you see in the last quarter last year to last year and last half to this half and in particular to second quarter to second quarter, even we have done better in vegetables in quarter-on-quarter basis, but usually second quarter is a lean quarter for vegetables and second half is yielding good. So we see a similar type of growth in the second half also in vegetables.

Nitin Awasthi: Telangana and Andhra happened to be your strong foothold when it comes to the cotton market and when you say that you have lost market shares in this space, so have you lost it to HTBT or have you lost it to other competitors?

Mithun Chand: Some to HTBT and some towards smaller companies. That is the main thing because we were realizing that there is a price competition was also there and if you see in fact our last 5-6 years, we are losing market shares in Andhra and Telangana, but we are gaining in other parts.

Nitin Awasthi: What is the reason for that sir, if you could just shed some light on that why are you losing market shares there where you had a very strong foothold and why are these smaller companies being able to take away the market share from giants such as yourself?

Mithun Chand: Basically, because of the price competition and we are not interested in many new hybrids in these areas. That is one of the parts and if you see in the last 3 years in terms of the overall sale, we all remained same. I don't say that we have lost heavily in Telangana or Andhra, we have remained there. In fact, we have slightly gained in terms of the volumes also there, slightly, but not in line with the overall sales.

Nitin Awasthi: Any step is being taken by the company to address this issue of not being able to launch new varieties in these areas?

Mithun Chand: We are launching in hybrids and we are not able to capitalize the loss we had do because most of the maize may not be suitable in most of the areas. For example, the hybrids which were launched are doing very well in Maharashtra and Gujarat, they are gaining market shares in Maharashtra and Gujarat. Even in Haryana, Punjab we have increased our market shares. Only in the part of Telangana, not even in AP, only in the parts of Telangana that too in one or two districts, we are facing issue, otherwise it all remained same.



Nitin Awasthi: Sir, just one last question and this is from a strategic view on the company that if you look at some countries or some regions in the world which are adopting GMO technology and hybrid technology very rapidly and India doesn't happen to be one of them. So if you see places like Bangladesh, our neighbor and countries in Africa, just going gung-ho over hybridization and GMO, so do you think it is not wise as of now to set up subsidiaries in these countries and capitalize on this opportunity?

Mithun Chand: In this question, there are two points, one is hybrid, the other one is GMO. GMO is like it is a government issue, they need to give licenses that is the GAC Committee will take the call on it, we don't have any call, but when we talk about the hybridization, India has already hybridized for example, you see cotton, more than 95% is hybridized; maize, more than 70% is hybridized; sunflower is hybridized, rice is picking up. So wherever there is a possibility of hybridization, it is picking up in India as well. So I don't see any issue in terms of picking up of hybridization, we are in line with many countries and in fact far better than many other countries, but only in GMO based on the government decision, we will adopt it. We have only one GMO that is in cotton which it is nonedible..

Moderator: Thank you. We have next question from the line of Ayush Agarwal from Mittal Analytics. Please go ahead.

Ayush Agarwal: I would like to ask my question sir, there are some rumors flying around that the company is seeing some tax related issues from the past and some litigations might happen against the company, would you like to throw some light on that?

Mithun Chand: As of now, we don't have any pending issues. In the annual report also, we have clearly mentioned these details. There is no pending liability or pending notice which is there on the company side. There is an appeal that has been made in the Court and that case has been stayed. That is the only thing and it is clearly mentioned in the annual report. Apart from that, we don't have any other issue.

Ayush Agarwal: Sorry which one, sir?

Mithun Chand: What I was saying is that we don't have any pending litigation or pending orders or anything from the income tax department. We had a case related surge. That is pending in the court.

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

Amit Vora: What is the update on buyback Mithun, just wanted to understand?

Mithun Chand: This is again subject to Board decision, but anyhow, we were distributing the tax for the shareholders and last buyback they have completed sometime in the last month of this year January. As per the rules, we only need to start after 12 months, so update on that we will take a call.

Amit Vora: So that is on track.

Mithun Chand: As of now, our intention is to distribute with shareholders, but again as I said earlier, after the board meeting, we will have a discussion post one year



Amit Vora: Right, but other than that because we have already intimated that we do not have any CAPEX plan or neither we are looking for any strategic buyout to grow inorganic resource. Ideally, you would be looking to distribute that by way of buyback because dividend already you have announced.

Mithun Chand: As of now, our intention is to do similar as we have done in earlier years

Amit Vora: And few things on the working capital, so our inventories have gone up from last year September to this year and receivables also, so these inventories are pertaining majorly to paddy, cotton or what is it, can you give some color here?

Mithun Chand: I think inventories in the cotton we are slightly up compared to the previous year and we have produced more for this year as you see we have grown more in cotton, non-cotton and especially non-cotton segment in this inventory and cotton we were not able to sell as per the anticipation, so that is a pileup which is there in the September end. But if you go by the year end also, then we slightly increase in the inventory because we are anticipating more sales in the coming years and most of the inventory is already empty, so we don't have much stock. So we are in line with it, nothing of that sort.

Amit Vora: The receivables which have gone up from September last year to this year September also that is neither related to?

Mithun Chand: Not much gradual impact, we had good collection this year compared to previous year. Some sale has happened in the second quarter, that might be impacting it, not much. We don't see any bad debts for any of the write-off from that.

Amit Vora: This quarter compared to last quarter also last year, we have booked decent portion on other income, so what is it that we are looking for the full year in terms of booking other income because last year second half, majority of the other income had come through?

Mithun Chand: Basically in the first half, second half, if you see historically in the last 3-4 years or 5 years, we are getting another income between Rs. 30 to 50 crore, even this year that should be the range, but some might have matured in the first or second quarter. Based on the maturity, we book the other income in the respective quarters. So it should be in the same line as last year, not much.

Amit Vora: One investment we have in this Franklin plan that has no impact with the ongoing issues with Franklin mutual fund?

Mithun Chand: No, we don't have any, we have already disclosed every investment in our annual reports, we do it in the quarterly things also. As of now, we don't have any impact of it.

Amit Vora: One last thing, have we got any inventory write-off in this quarter particularly?

Mithun Chand: Yes, that is a routine process. Every year we have a write-off, definitely we have some write-off and going quarter also, we have some write-off.

Amit Vora: What would be the number in this quarter?



Mithun Chand: In line with the routine activity, every year we do and this year also we do it, not anything significant.

Amit Vora: What would be the number in this quarter because I remember last quarter, you had given a number for the write-off that you do as the routine prudent accounting fractions, but what would be the number, just I am trying to ask?

Mithun Chand: Usually, what we do is that for the entire year, it should be in between Rs. 15 to 20 crore even before it should be in line with that.

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

Abhijit Akela: Just to check about the employee cost increase in this quarter, it is quite a sharp increase, so any color you could put on that?

Mithun Chand: One, the headcount, we have given increments at this quarter, so some included in the second quarter because we were not able to do in the first quarter, so we are doing in the second quarter, so that is something is there and even the ESOP cost is also added in the employee cost.

Abhijit Akela: So this number should decrease from 3Q onwards, on a quarterly run rate basis?

Mithun Chand: Yes, because ESOP is also added, definitely it should go down next quarter, that is marginally Rs. 2 or 3 crore, not much.

Abhijit Akela: The footnotes to the accounts mentioned about write-offs at one subsidiary, so what are the plans that Kaveri need to put more money into that subsidiary and how much amount would be increased?

Mithun Chand: Nothing that was a very small subsidiary where we had 50-50% joint venture with the other partner that we had from the operations in last 2-3 years, nothing there. The write-off is basically that the seed more than two years, which is not recovered, so we had a procedure, we take it as write-off, that is the only write-off. Still we are collecting the amount, but the operations have already stopped with the company for the last 2 years.

Moderator: Thank you sir. We have next question from the line of Chetan Thacker from ASK Investment Managers. Please go ahead.

Chetan Thacker: Sir, the question was on market share gain in maize, just wanted to understand where have we gained market share in maize and also is there some tender business in this maize revenue?

Mithun Chand: We have gained market shares in most of the parts, because wherever we have operated especially in Karnataka, Maharashtra, Northern India and some parts, we have gained market shares in those parts and over and above that we also participated in some tenders, even participation in tenders were also routine activity. So it is a combination of both.



Chetan Thacker: It is not the case that tender is driving a large bit of the volume growth, that is not the case, right?

Mithun Chand: No.

Moderator: Thank you. We have next question from the line of Vidit Shah from IIFL. Please go ahead.

Vidit Shah: Just wanted through clarification on the tax rates for the company going forward, so this quarter we had some benefit from the earlier years, so just wanted to understand what benefit that was and what we should assume the tax rate to be hereto?

Mithun Chand: In terms of the business, we claim this as an agriculture income and we don't pay any tax on that, but the tax reversal what you are seeing in the second quarter, basically on the mutual fund investment when we take out, we provided for full taxation, but that came with an indexation that came back in the second quarter only on the returns, not on the business products.

Vidit Shah: So ideally you would be paying tax only on the Rs. 40-50 crore of other income that you provided?

Mithun Chand: Yes, that we have forwarded a highest tax plan, based on the indexation benefit, it was a bit lower..

Vidit Shah: Secondly, can you just throw light on the performance of the subsidiaries, I see that the revenue has grown sharply, but the margins have come down in the subsidiary financial, so what has led to that?

Mithun Chand: Basically, there are 2 subsidiaries, but majority of that is branded under the Aditya Agritech where we have 70% of the holding, so that again Kaveri is a company where we produce and most of the profit is captured in Kaveri only, so that is basically a fading company. That is the reason you don't see much of margins in that.

Vidit Shah: But the revenue has gone up 26% across this quarter?

Mithun Chand: It is a small; it is like Rs. 10-12 crore of revenue, not much. That number looks big but in terms of that, very small and the costs have also gone up in that. As we capture the majority of the profit in the main company, so trading profit will be gaining that.

Moderator: Thank you sir. We have next question from the line of Prasanna Sankaranarayanan from Rippling. Please go ahead.

Prasanna S.: So I didn't quite follow sir, when you said guidance for the next year, not this year, the next year, so this year we have sort of already done more than Rs. 50 in earnings per share, next year I saw that the outlook has mentioned poor cotton prices and maize prices and so what do you sort of guide now, I didn't catch that part?

Mithun Chand: Basically, the outlook what we have given is for the second half par. Maize declined in the second quarter, but for the next year, it is too early to predict about maize because the maize price has been impacted because of the pandemic. When the export and everything is strong, we see the maize prices improving and yes, in terms of the cotton, we see a stress in the prices going forward also, but in India we don't have much of an option to replace cotton crop, so that is the reason we say 5000 plus or minus of the present acreages, but very unlikely that it will go up, it will only come down as of now, but in terms of our budgets and we have launched new products in cotton, I think we will be able to maintain our market share, in fact we are hoping for an increase in the market share for the next year. We are not worried about on that one and even maize is surely, we are penetrating in other parts, we see a very good prospect for maize, especially for our non-cotton crops including maize, rice and vegetable.

Prasanna S.: For next year it looks like, there is not like a major impact and the guidance is maintained, the 7-year guidance, like right now we are doing something like Rs. 55 or something in its EPS, so is it like 15 to 20% on bottomline growth from there, we can expect like Rs. 65 or something next year?

Mithun Chand: Yes, our long-term guidance looks same, there will be no change in guidance at all.

Prasanna S.: I also wanted to follow up on the other shareholders question which is basically from the ground, I hear reports that we are losing market share Rashi Seeds as you mentioned, in Telangana and some parts of AP, how worried are you that is actually indicative of perhaps you losing market share in cotton and other places as well and like from your response it look like it is sort of isolated and the company is just taking that as okay, we are going to lose market share in these areas because of pricing competition, but that is okay, our products value add in other area, so we are just going to take market share in different areas and lose this in this particular area and our products are not differentiated. Is that how you are thinking about it?

Mithun Chand: So basically, if you see overall acreages this year, it is really comparative statement. Acreages are slightly up in cotton, but if you see the major acreages are up in Telangana and whereas the other states such as Maharashtra, Gujarat, all these states have lost in cotton, but if you see our volume remains same as it is last year. Even though the other areas were down, we have increased our market shares in Gujarat, we are able to maintain our volumes in Maharashtra, in other states, so this clearly shows that we have increased market shares across India apart from Telangana. Even in Telangana, there are few districts where we are not able to grow the rice. We have not lost volume in that, but we were not able to grow in line with the markets, so that is the reason we said that slightly we lost in Telangana, but we are putting our efforts, we are trying to introduce new hybrids in these areas, but it will take some time, that will not reflect immediately in the one or two years. But at the same time, any two phases, we don't have any threat further we will be going down in terms of the market share. We will maintain our market shares and we were much better than any other companies. That is also one of the points in Telangana where we are not able to do because Telangana basically is all about trading markets. We have stopped giving credit to mini players so that is one of the points as strategically we don't want to credit in these areas. That is also affecting to some extent. Then if you see the receivables also compared to previous year, even in pandemic condition, the receivables are slightly up by Rs. 10-15 crore. If you see the overall volume of sale, we are up by more than Rs. 100



crore. We are able to collect the entire money and we have realized much better than many other companies.

Prasanna S.: One final question is about exports, again another gentleman asked about that, about opportunities for exports and potential things that the company is exploring, can you perhaps talk a bit about that?

Mithun Chand: We are already exploring many export markets, in fact we are almost trying to export in nine countries, but as of now, we are doing majority of the revenues from Bangladesh. This year, we have got impacted because of Pakistan, last year if we got impacted we were not able to send to Pakistan, again in this pandemic condition, we are not able to export freely, but anyhow we have a very good scope, our focus is on export market in the long term and that we are already continuing to do it and if you recollect in my previous calls, I was saying that it will take 4 or 5 years to get a meaningful thing, but year-on-year, definitely we will grow in export. That is what we are witnessing now. We see a good progress in export going forward.

Moderator: Thank you sir. We have next question from the line of Shanti Patel from Shanti Patel Investment Advisors. Please go ahead.

Shanti Patel: What is our market share as on today in India and secondly, what is our return on capital employed and return on equity?

Mithun Chand: In terms of the market share, we have close to 8 to 9% market share of the total hybrids in market across India. In terms of the ROA and ROCE, it is there in the presentation we have already uploaded in the site and exchanges. Right now, I don't have that figure, but the information is already provided in the presentation.

Moderator: Thank you. We have next question from the line of Chetan Doshi, an Investor, please go ahead.

Chetan Doshi: My question to you is, on the current quarter that is October to December, can we expect the same what you have repeated for September and for the year end you have a target of crossing Rs, 1,000 crore for this March 21 in COVID situation if you can do it, that will be a great achievement for the current financial year?

Mithun Chand: Yes, in terms of the coming quarter, we will be in line with the last year numbers, last year quarter, we anticipate a good quarter for Kaveri, even though we see a slight decline in May, but overall it should look well, but to be on the safer side, I can say that we will be in line with the last year numbers.

Chetan Doshi: Sir, you have mentioned clearly that you are growing in non-cotton and that is also what I see from the presentation, so for the current quarter, you are expecting some specific sale from some product which you can share as in current quarter, the main focus will be the revenue will be generated from so and so product?

Mithun Chand: So basically, in the second half, majority of the revenue contribution will be from corn that is maize. Now, the issue is that by seeing the two governments discouraging maize, that may impact the maize acreages, but at Kaveri, because as we are there into many other products like rice, wheat, vegetables which are in a growing stage, so we don't see any decline and we don't see any revenue



impact, even though the maize volumes are down. So in that way, we are better well placed than any other players in the market.

- Chetan Doshi:** Our product mix is very good, are we into Basmati rice also?
- Mithun Chand:** No, we are not into Basmati segment. We are basically into majority of the revenue in the hybrid rice.
- Moderator:** Thank you. We have next question from the line of Manish Shah, an Investor. Please go ahead.
- Manish Shah:** Telangana government has directed for 50 lakh hectares of paddy cultivation in the Yasangi season, so we will be benefited for that?
- Mithun Chand:** Definitely, to some extent definitely we will get benefited and if you see the revenues in rice are more in Telangana also this year. Majority of those varieties are not the hybrids, so we may not take the full potential of it, but definitely we are growing in this market.
- Manish Shah:** Sir, another question is about maize which the government is trying maize for ethanol, they are to come for a policy in the next 2-3 months, so again that would be very beneficial for us in the long term?
- Mithun Chand:** Yes, definitely, if you see maize as a crop for the long term, it is a very good crop and that is the reason we are focusing more on maize crop. I think going forward, maize will have more value than any other crop in India. With the present government initiative, definitely maize will be a preferred crop for the farmers going forward.
- Manish Shah:** I am sure the maize projects are already started recurrence in some parts, so I don't think it should be a problem in the next 3-4 months as such?
- Mithun Chand:** Yes, but by seeing a maize price which is like Rs. 13 to Rs. 14 now against Rs. 20 last year, so the sentiment is down, but if you see the maize price in recent month where it went up to Rs. 10 - Rs. 10.5 also, now it came up to Rs. 13.5, Rs. 14 and the yields are good this year, so one of the point where we need to see that is the reason I say that maize will not be discarded as a whole, but slightly declined in the acreages.
- Manish Shah:** And sir, this employee cost, is it one-off only in this quarter only, it will not be repeated in the second half?
- Mithun Chand:** It is slightly reduced in the second half because some is loaded even in the employee cost for the second quarter basically the increments and the ESOPs were also added into it. That is the reason you see a bigger picture, but definitely it will be slightly lower in the second half.
- Moderator:** Thank you. We have next question from the line of Rohan Modi from RSL Advisory. Please go ahead.
- Rohan Modi:** Why we are doing the buyback in tender offer, instead of open market buyback?



- Mithun Chand:** There we have stated earlier, it is a Board decision that has taken. Definitely, we want to distribute everything to the shareholders, and I think we have done it.
- Rohan Modi:** But open market, there is the price for around Rs. 500 and your tender offer is around Rs. 650, there is around 30-40% saving we can achieve by open market buyback?
- Mithun Chand:** But anyhow that the shareholders will be getting benefited out of it, so that is the different thing whether we can get it in that way, but definitely we will consider this. We will again discuss in the Board meeting.
- Moderator:** Thank you. We have next question from the line of Sumant Kumar from Motilal Oswal. Please go ahead.
- Sumant Kumar:** My question is regarding assuming already the previous year is too high base because of better sowing of rice in South, so assuming that can we expect different growth in H2?
- Mithun Chand:** For H2, for last year, majority of the contribution was done by maize. Usually, in H2 it is contributed by maize, but this year compared to previous year high base, maize acreages are slightly to decline, so that is the only worrying point, but otherwise I think we can maintain ourselves as revenues and we can compensate the lost revenues in maize and other crops like vegetables and rice and in fact wheat. So I think we might maintain the sales as last year, even though there is a deterrent in the market.
- Sumant Kumar:** In the previous year also, rice has done well, right?
- Mithun Chand:** Compared to previous year, we will be growing in rice, vegetables and slightly down in maize. So overall we see that the same revenues might be maintained this year in the second half.
- Moderator:** Thank you. We have next question from the line of Deepak Kolhe from B&K Securities. Please go ahead.
- Deepak Kolhe:** Sir, what are the reasons for decline in the other expenditure in this quarter and my second question is rabi season already started and currently sir, do you see any changes or shifting a crop?
- Mithun Chand:** In terms of the other expenses, royalty was also part of the other expenses. This year, there were no royalty. That is the reason the other expenses are down and the other part coming back to the second half sales, I was already repeating the same way that the acreages in maize might slightly come down, but rice and wheat can go up and some grams. So that is the scenario as of now it looks like.
- Deepak Kolhe:** Is there any other item than royalty, sir which has come down?
- Mithun Chand:** Some expenses in the first quarter because of the pandemic conditions, there was not much movement of the inquiries, so that is one thing slightly down, but the other expenses like freight and other thing had gone up. So there are different components in the other expenses, so it is a mix of that which is reflecting in sales.

Moderator: Thank you. We have next question from the line of Manoj Sah from Laxgov Investments. Please go ahead.

Manoj Sah: My question is with the water reservoir level in Southern India at a decadal high, so how do you see the growth of your company in the Southern states and even if for next 2 years, we doesn't have a good rainfall in Southern India, so this higher water reservoir level, can they cater for next 2 years of irrigation?

Mithun Chand: See, this year we have seen a very good monsoon and last year also, we have seen a very good monsoon. Most of the tanks are full, ground water is full and it is an in-time monsoon for the proper sentiment and for the proper crops to come in. Even though the ground water is high, we require good monsoon next year, so to have the normal acreages and definitely improve the ground water and this type of rainfall and good productivity will definitely encourage farmers to invest more in crops especially like seeds and in crop production for the better harvest. So that is a good sentiment to have to start with, but definitely that requires good monsoon again.

Manoj Sah: So what kind of a growth you are expecting over next 2 years with already good water level, good back-to-back monsoon and farmers having good crop income, so what kind of a growth you are expecting over next 2 years?

Mithun Chand: We have already given a guidance, we had a long-term guidance of 10 to 15% topline more than 20% bottomline growth, slightly better bottomline growth, that I we are already doing it and the long-term guidance remain same.

Moderator: Thank you. We have next question from the line of Shashank from Value Educator. Please go ahead.

Shashank: So from last 2-3 years we have shown excellent growth in our paddy segment, so I wanted to ask you what is your assessment on the paddy particularly to our company and with overall sector also like, can paddy be the next kind of a crop like cotton which it was growing from 2010 to 2015, maybe? And like what would be our target in next 4 to 5 years, can paddy maybe beat the cotton in our portfolio?

Mithun Chand: We are always positive on paddy crop, not only in terms of Kaveri, if you take the overall industry, paddy is 143 million hectares across India whereas cotton hardly it 12 million hectares. Paddy has got a potential to always beat cotton revenues going forward and the hybridization also picking up in paddy and not only that. In particular to Kaveri, we had good hybridization. We have launched couple of years back that is gaining market share and in fact, we have gained more than 40-50% in the last 4-5 years. As of now, we are in the top 3 in hybrid paddy and in the next 2-3 years in the short-term view, we will definitely tend to grow not at 40-50%, definitely above 20-25% in cotton in the next 2 to 3 years and with this type of growth across both in hybrids and varieties, definitely we will have growth much better in paddy, but almost cotton is double the paddy now. So in the next 2 to 3 years, it might be difficult to beat cotton revenues going forward, but as a fact the non-cotton segment, definitely you will see this will grow by more than 35% in non-cotton segment. If you compare first half last year, cotton was contributing 60% last year, this year it is only 52%. So as we are giving the long-term guidance of going like saying that 40% cotton and 60% non-cotton, we are going in the right direction

and that definitely will help us to improve margin and definitely we will go in that fashion.

Moderator: Thank you. We have next question from the line of Mukesh Panjwani, Investor. Please go ahead.

Mukesh Panjwani: I appreciate the way the company has been maintaining good ROE, ROCE and excellent profit margins. Sir, my first question is that what is the size of hybrid rice market and vegetable seed market and what is our share in this market?

Mithun Chand: Essentially in terms of hybrid rice, overall hybrid rice market is between 65,000 to 70,000 tons. We have close to 7 to 8% market share in hybrid rice and still we are going in increasing our market share year-on-year. For example, this year the overall industry grew by 67%, it became 5% to 8% or so we are growing by more than 40%. So we are growing much faster than the industry and in the next coming 3 to 5 years, we tend to grow much faster than the industry. We have very good set of pipeline hybrids and not only the large one, even the pipeline hybrids, they have very good set of hybrids, so we are pretty confident that we will beat the industry going forward. What was your second question?

Mukesh Panjwani: Vegetable seed market, sir?

Mithun Chand: Vegetable seed is a very big market; it is growing at more than 20% year-on-year. Our vegetable as a whole is like Rs. 2,000 crore plus market in India and we are very small in vegetables, we don't command much market share, hardly, we have done Rs. 20 crore of revenue last year. If you compare the first half to first half, we have done Rs. 7 crore last year and we have done almost Rs. 16 crore this year, so we are almost up by more than 150% in terms of the revenues compared to last year and we are very positive. In terms of vegetables, they have introduced many new hybrids especially in crops like chilly, okra and hot pepper. So these we are contributing for our growth and definitely we will grow at more than 25-30% year-on-year in vegetables going forward. I think in the next 5 years, we will be close to be Rs 100 crore in vegetables.

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

Rohit Nagraj: Sir, we have talked about the growth on the non-cotton segment and next year again we have indicated that we will be growing, so given that the cotton acreage will remain same next year or probably a de-growth which signifies that cotton revenues would be same as this year, so do you expect still 10 to 15% overall topline growth which will be completely driven by non-cotton segment?

Mithun Chand: We are confident in delivering 10% to 15% over next year at this particular point of time. Either in cotton, we see the acreages remaining at 5% but we are pretty confident that we might increase the market share as we have introduced new hybrids in Punjab, Haryana which also contributes a decent size in the overall market. So we are not seeing any threat in terms of cotton, but non-cotton crops we are very bullish in terms of our performance of the crop and placement where we have done. The type of response what we are getting in this crop, we are pretty confident we will be achieving this figure going forward.



- Rohit Nagraj:** The second question is on the pipeline, so on non-cotton crops, how is the pipeline and what are the new product launches expected for next year?
- Mithun Chand:** We have very good set of pipelines. Each segment has got a different set of pipeline, so it is actually difficult for me to explain the number of varieties here, but we have very good set of pipeline hybrids, which are actually being well in the market. One pipeline, some are in the testing stage and some are in the trailing stage, both are very encouraging. That is the reason we are very confident that we will grow going forward.
- Moderator:** Thank you. We have next question from the line of Anshul Segal from Kotak PMS. Please go ahead.
- Anshul Segal:** Two questions I have. For the next year, what is the kind of sales mix that we are anticipating between cotton and non-cotton? This is for FY22?
- Mithun Chand:** Cotton and non-cotton, the mix will be same as this year what we end up with, are slightly better in non-cotton margins by 2 or 3%, better than this year.
- Anshul Segal:** You are saying margins, I was referring to revenues.
- Mithun Chand:** I was talking about the revenues and change the revenue itself. If you see the mix, last year it was like 50% cotton and 50% non-cotton. This year we might end up between 45-46% of cotton and 50% of non-cotton. Going forward, it should be 42-43% of cotton and 58% of non-cotton.
- Anshul Segal:** Which means that in non-cotton next year, we could well see over a 20% kind of growth, if in the cotton we maintain about 10 to 12% or somewhere between 10 and 15%, then non-cotton could well see more than 20% growth more in revenue?
- Mithun Chand:** Yes, what we say that cotton will grow between 5 to 10%, non-cotton between 20 and 25%, so overall it should be between 10 and 15%. That is what our projection was and that is what we are doing.
- Anshul Segal:** And for non-cotton, what can be the mix for next year? Can maize come back next year and hence will the margin structure again move upwards for next year?
- Mithun Chand:** Definitely which is a maize, we have grown by more than 30% in terms of volume and value this year for the first half. Second half, we may not grow in that fashion because last year we had a very good maize season last year and now acreages were also slightly coming down. So this second half might be a slight impact, but the longer term definitely maize is a very good crop and we are focusing more on maize and we have introduced many hybrids in Northern India as we have majority of the market shares in Southern India, but we are growing in Northern India which is also a big potential market, so that is one of the encouraging points for us and we have launched many hybrids in spring corn. For example, last year we launched spring corn. For example, last year these are the markets which are adding up. So definitely we are confident that maize and rice, both will grow at more than 20%.



Moderator: Thank you. We have next question from the line of Manish Shah, an Investor. Please go ahead.

Manish Shah: Sir, my question was regarding to the buyback, last buyback was completed in the month of January. So this year after January, we will consider it, sir?

Mithun Chand: Our intention is to revert to the shareholders. Definitely after 1 year is done with the buyback, so we will have again a board meeting and then we will decide what will be the course of action.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to the management for closing comments.

Mithun Chand: 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 our continuous 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.

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of Kaveri Seeds, that concludes this conference call. Thank you for joining with us and you may now disconnect your lines.