

Kaveri Seed Company Limited

Corporate Profile

September 2013



Presentation Structure



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Key Highlights



Key Highlights

One of the Largest & Fastest Growing Indian Seeds Company

Revenues of ~ INR 7.1 billion (FY13)

(Around 4.4x revenue growth since FY10)

**Leadership position
emanating from high-
performance /
premium seeds**

2 largest in hybrid cotton seeds segment ~ 15% market share*

Technically qualified & experienced leadership team

Supported by an experienced management team

Built on a strong R&D Foundation: one of the largest pools of germplasm in India

Market oriented & need focused breeding programs resulting in highly successful product portfolio

R&D infrastructure: 600+ acres of owned / leased research farms covering varied agro-climatic conditions

Key Highlights

A comprehensive breadth of product portfolio

Capability to produce ~90 high-quality hybrid seed varieties across commercial crops, food crops and vegetables

Dominant player, strong brand equity in farming community

Deep rooted relationship with ~ 90,000 seed growers
Access to production acreage of ~ 60,000 acres across 12 different agro-climatic centers
High brand recall across product segments in farming community

Modern & scalable infrastructure

8 own plants spread across 10 key locations in India
(Aggregate processing capacity of ~ 145 MT per hour)

Pan India marketing & distribution network

Expansive network of ~ 15,000 direct / in-direct distributors (15 key Indian states)
A marketing team of ~ 350 professionals
26 warehouses at strategic locations with combined storage space of ~ 500,000 sqft

Corporate Overview



Corporate Overview

Introduction

Overview

- Incorporated in 1986
- Listed on leading Indian stock exchanges – NSE and BSE
- 3 times listed in “Best under a Billion in Asia-Pacific” by Forbes

Products

- Comprehensive portfolio of growth/ high margin products:
 - Commercial Crops – Cotton, Sunflower
 - Food Crops – Maize, Paddy, Millet
 - Vegetables
 - Micronutrients (Microtek Division)

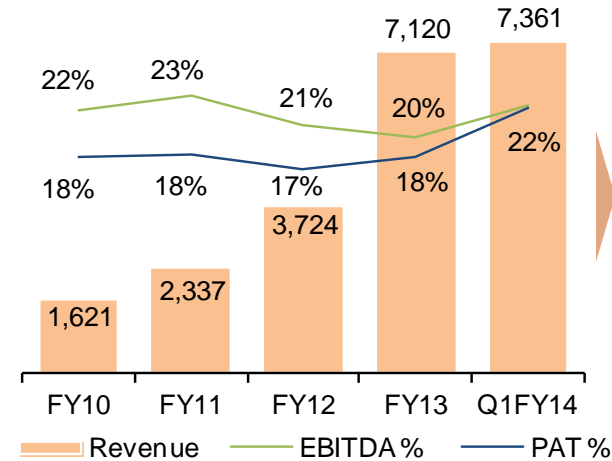
Markets

- Strong distribution network / presence across 15 key Indian states
- High corporate goodwill / strong brand recognition

Management Team

- Technocrat entrepreneurs
- Highly qualified management team consisting of breeders / agri-qualified professionals

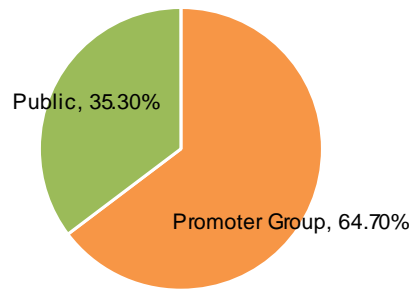
Financial Snapshot



Robust revenue growth of ~ 64% CAGR (FY10-FY13)

High ROCE of ~ 36.5%

Share holding Pattern



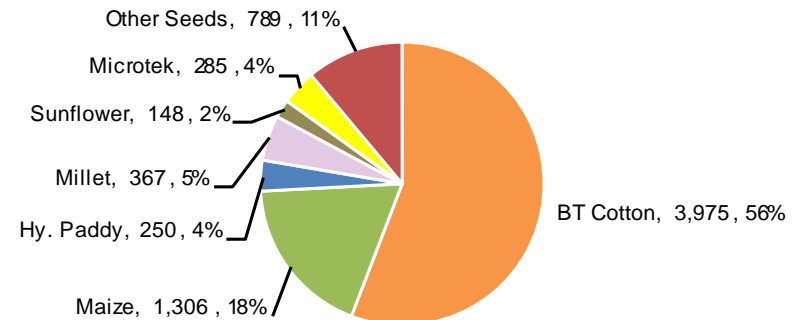
Group Structure

Kaveri Seed Company Ltd.

100% → Kexveg India Pvt. Ltd. (exotic vegetables)

70% → Aditya Agritech* (Partnership firm)

Revenue Segmentation (FY13) – INR 7,120 Mn

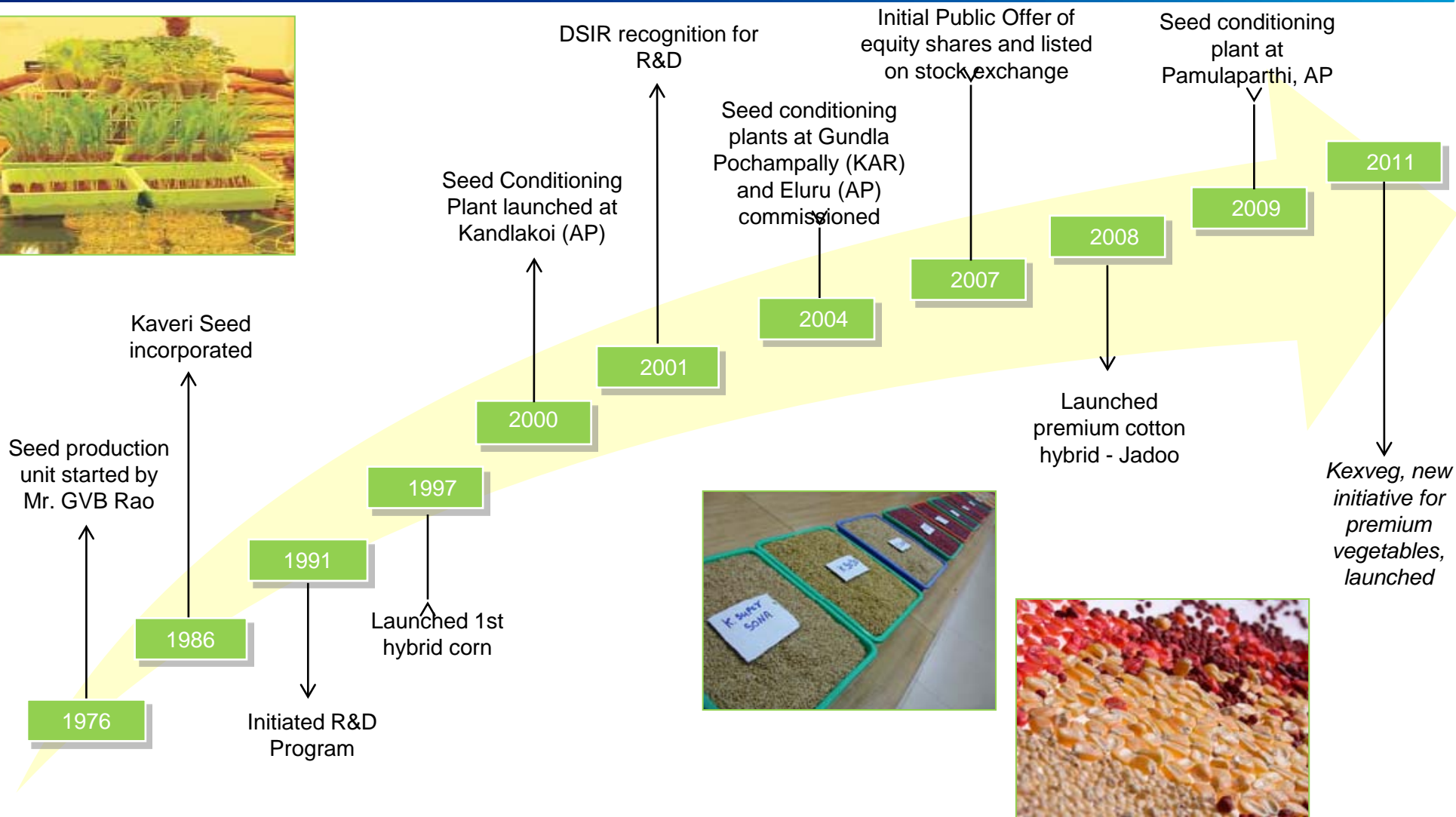


* Note: Partnership since Feb 2013 . For FY13, Aditya revenues were ~ INR 50 mn.

* Company Estimates




Corporate Overview

Key Milestones



Corporate Overview

Promoters Profile

Name & Designation	Brief Profile
 <p>GV Bhaskar Rao Chairman & Managing Director</p>	<ul style="list-style-type: none">▪ Founder & chief strategist of Kaveri▪ Instrumental in leading the Company to become a pioneer in Indian seed industry▪ Encouraged R&D with the objective to broad base the product portfolio▪ Spearheads various strategic initiatives▪ Oversees R&D, production and business development
 <p>G Vanaja Devi Director</p>	<ul style="list-style-type: none">▪ Associated with the Company since inception▪ Oversees the corporate social responsibility activities▪ Assists the Chairman & Managing Director in general functioning of the Company
 <p>R Venu Manohar Rao Executive Director</p>	<ul style="list-style-type: none">▪ Associated with the Company since inception▪ Manages relationship with farmers, dealers, and distributors▪ Instrumental in establishing pan-India marketing and sales network

Corporate Overview

Promoters Profile



C Vamsheedhar
Marketing Director

- Associated with Kaveri since 14 years
- Responsible for Sales and Distribution
- Oversees marketing initiatives & sales network.
- Spearheads the Agritech operations



C Mithun Chand
Director

- Associated with the Company since 8 years
- Oversees the finance function. Manages investor communication
- Manages Microtek, division of micronutrient mixtures and bio-pesticides
- Initiator of KexVeg, the subsidiary of Kaveri for exotic vegetables.

Name	Qualification	Total Experience (yrs)	Brief Profile
Dr. Yeshwant Laxman Nene	PhD, University of Illinois, US	~ 45	<ul style="list-style-type: none"> • Renowned agricultural scientist and science administrator • Established Asian Agri History Foundation that links Vedic culture with Agriculture • Erstwhile Professor and Head of Dept. of Plant Pathology at GB Pant University of Agriculture
M Srikanth Reddy	B.Sc.(Agri.)	~ 35	<ul style="list-style-type: none"> • Extensive experience in agriculture • Advises the Company in policy matters and business affairs
Dr. S Raghuvardhan Reddy	PhD (Agri.), Acharya N G Ranga Agri. University	~ 35	<ul style="list-style-type: none"> • Ex-Vice Chancellor of Acharya N G Ranga Agricultural University • Won several awards including Jawaharlal Nehru Birth Centenary Award for Lifetime Contribution to Agricultural Sciences • Won several recognitions for significant contribution to Agricultural Sciences
Dr. SM Ilyas	MSc (Agri.)	~ 35	<ul style="list-style-type: none"> • Former Director of National Academy of Agricultural Research Management, Hyderabad • Former Vice Chancellor of Narendra Dev University of Agriculture & Technology, Faizabad • Won several awards for outstanding contribution to Agricultural Engineering
P Vara Prasad Rao	BSc	~ 36	<ul style="list-style-type: none"> • Experience in forest contracts and management works • Expert in business transactions and negotiations
K Purushotham	Grad. (Agri.) & Banking, Institute of Bankers, Mumbai	~ 35	<ul style="list-style-type: none"> • Experience in banking sector and agriculture • Retired as General Manager from Indian Overseas Bank

Esteemed Board having extensive experience guiding Kaveri in various domains including agricultural sciences, operations and finance

Corporate Overview

Key Management Profile

Highly motivated, qualified and experienced management team supporting Group's growth initiatives

Key Management	Qualification	Total Experience (yrs)	Experience with Kaveri (yrs)	Brief Profile
Head – R&D	M.Sc., Ph.D., Genetics	~ 37	~ 7	<ul style="list-style-type: none"> • Represented India on the Board of Asian Rice Biotechnology Network • Gained international training in USA, Sweden, China and Philippines • Co-ordinator, International programs on Rice Biotechnology • Over 81 publications with ~ 35 research papers • Over 27 years of extensive agriculture research service at ICAR • Visiting faculty at Purdue University, USA • FAO Crop Expert, Govt. of Bangladesh
Chief Co-ordinator R&D	M.Sc., Ph.D., Genetics	~ 35	~ 5	<ul style="list-style-type: none"> • 4 national awards winner in agricultural field • Over 120+ research publications • Visiting scientist at ICRISAT, ICARDA, University of Honenheim (Germany) • Extensive training in IPR and Technology Transfer
Head – Production	B.Sc.(Agri.)	~ 26	~ 5	<ul style="list-style-type: none"> • Extensive experience in seed planning, production and operations • Past experience with Mahyco, Advanta, Atash (JV of Limagrain & Avesthagen) and ITC
Chief Financial Officer	CA	~ 25	~ 5	<ul style="list-style-type: none"> • Extensive experience in finance, accounts, forex and taxation matters • In the past, he has been associated with companies with INR 10+ Bn revenues

Capable management team leads day-to-day operations

Pro-people policies resulting in high retention levels

Business Overview



Diversified portfolio products

Field Crops <i>Select Brands</i>	Vegetables <i>Select Brands</i>	Micro Nutrients <i>Select Brands</i>
Cotton (~12) <i>Jadoo, Jackpot, ATM</i>	Tomato (~3) <i>KTH 104, KTH 204</i>	Foliar Sprays <i>Mazik, Energy</i>
Maize (~31) <i>Ekka, 3110, Bumper</i>	Okra (~4) <i>Kaveri Nadia, Kaveri Leena</i>	Soil Applications <i>Captain</i>
Paddy (~17) <i>Sampurna, Chintu, Sleek</i>	Chilly (~3)	Plant Defense <i>Fire, Fatafat</i>
Millet (~3) <i>Super Boss, Fouzi</i>	Gourd (~2)	Bio Pesticides <i>Bio-guard, Bio-cense</i>
Sunflower (~4) <i>Sunkranti, Champ</i>	Watermelon (1)	Yield Maximizers <i>Ultimax+, Kick</i>

Figures in brackets represent number of Company's hybrids available in the market



Wider acceptance of key products in the market place led to significant increase in revenues

Market oriented & need focused breeding programs resulting in highly successful product portfolio

One of the largest pools of germplasm in India

- Developed proprietary germplasm and Hybrids
- Over 600 acres of dedicated research farms with varying agro-climatic conditions
 - Sophisticated biotech, QC, seed technology labs with the latest equipment
 - Cold / DH storage for germplasm
- Multi-season trials, breeding and testing facilities. Around 57 out reach trial centers across key locations in India
- Research and Development facility recognized by Department of Science & Technology, Government of India
- Access to leading research institutes / universities such as ICRISAT, IRRI, CYMMIT etc

Research Filings

Kaveri's PPV & FRA Filings

Number of filings to date	169
DUS test cleared	48
Registrations	14

Strong R&D leading to a track record of ~169 proprietary filings



Amongst the largest capacities for seed processing

8 processing plants spread across key locations in India

Loyal grower network

- ~ 90,000 production growers
- ~ 60,000 acres under seed production

Processing Capabilities

- 8 own plants with a combined processing capacity of ~ 145 tonnes per hour
- Modern equipment for pre-cleaning, grading, cob drying, storage, packing
- Large-scale grow-out test (GOT) area
- Sophisticated biotech, QC, seed technology labs with the latest equipment
- Green houses for hybrid screening

Pan India warehouse network

- 26 warehouses with combined storage space of ~500,000 sqft
- Dehumidified, climate-controlled godowns
- Storage godowns of ~90,000 sqft (cold) and ~37,000 sqft (dry heat)
- Storage godowns can store ~ 8,300 MT

Pamulaparathi Plant, AP



Growth Strategy



Growth Strategy



Industry Trends

- Leverage on:
 - Increasing demand for food and agri products
 - Increasing levels of hybridisation
 - Favourable government policies

Market Network

- Consolidate leadership position in South India
- Gain market share in the northern / western markets (Maharashtra, Gujarat Chhattisgarh, Jharkhand, West Bengal and Odisha)
- Explore attractive export markets
- Optimally utilise distribution & farming community network by channelising additional products / through-put

Products

- Increase share to dominant levels in cotton segment
- Enhance market share in paddy, maize, millet and other segments
- Expand market presence in exotic vegetables and culinary herbs segment for European markets



Financials



Financials

Profit & Loss Statement

INR Million				
	FY11	FY12	FY13	Q1FY14
Net Sales	2,337	3,724	7,120	7,361
<i>y-o-y growth</i>		59%	91%	
Total Income	2,337	3,724	7,120	7,361
Cost of Raw Materials	1,047	2,695	4,951	596
Change in Inventory	(280)	(1,285)	(1,797)	2,096
COGS	767	1,409	3,154	2,692
Gross Margin	1,570	2,315	3,966	4,669
<i>Gross Margin %</i>	67%	62%	56%	63%
Employee Expenses	109	157	203	64
Selling & Distribution Expenses	608	920	1,449	1,779
Royalty	235	367	782	1,135
General & Administrative Expenses	79	102	139	47
Total Expenses	1,798	2,955	5,727	5,718
EBITDA	538	770	1,393	1,643
<i>EBITDA%</i>	23%	21%	20%	22%
Depreciation	102	100	122	37
EBIT	436	670	1,271	1,607
<i>EBIT%</i>	19%	18%	18%	22%
Other Income	10	26	49	37
Financial Costs	43	33	15	1
Profit/(Loss) on acquisition of land	-	(53)	13	-
PBT	403	610	1,319	1,643
<i>PBT%</i>	17%	16%	19%	22%
Tax	(22)	29	38	25
PAT	425	581	1,281	1,618
<i>PAT%</i>	18%	16%	18%	22%

- Revenue growth in FY13 largely driven by cotton (160% yoy) and maize (70% yoy).
- Gross margin movement :
 - Increasing share of cotton has impacted margins
 - Gross margin expected to be ~ 56% for FY14
- Company adopts a strategy of contracted employees to optimise costs and utilisation.
- Royalty payment relates to payment to Monsanto for cotton hybrids
- Healthy and consistent operating and net profit margins.

Financials

Balance Sheet

INR Million			
FYE 31 March	FY11	FY12	FY13
SOURCES OF FUNDS			
Share capital	137	137	137
Share application money	-	-	8
Reserve & surplus	1,757	2,277	3,303
Total Shareholders Fund	1,894	2,414	3,448
Debt			
Long Term Borrowings	29	28	31
Short Term Borrowings	250	190	-
Total Debt	279	218	31
Long Term Liabilities	22	29	37
Total Sources of Funds	2,195	2,660	3,516
APPLICATION OF FUNDS			
Non Current Assets			
Net Fixed Assets	1,044	943	1,374
Capital Work in Progress	72	131	81
Long Term Loans and Advances	30	80	48
Deferred Tax Asset	1	2	-
Other Non - Current Assets	0	0	1
Investments	368	1,175	1,318
Current Assets			
Inventories	1,649	3,033	4,912
Trade Receivables	362	285	686
Cash & Cash Equivalents	45	96	143
Short Term Loans and Advances	8	8	12
Other Current Assets	176	132	101
Total Current Assets	2,240	3,555	5,853
Current Liabilities			
Trade Payables	383	1,100	2,486
Other Current Liabilities	1,122	2,031	2,517
Short Term Provisions	56	95	157
Total Current Liabilities	1,560	3,225	5,160
Net Current Assets	680	330	693
Total Application of Funds	2,195	2,660	3,516

- Negligible debt
- “Long term liabilities” relates to security deposits from dealers
- “Long term loans & advances” include security deposits and advance for capital expenditures
- “Other non current assets” relate to un-amortized preliminary expenses.
- “Investments” comprise of investments in mutual funds and debt funds.
- “Inventories” include finished goods (63%), work in progress (~30%) and raw materials (~7%).
- Good “receivables “management leading to optimal utilization of cash and working capital
- Around 90% of “other current assets” relates to advances to suppliers.
- “Other current liabilities” includes advances from customers wherein 76% relates to cotton.

Financials

Key Highlights

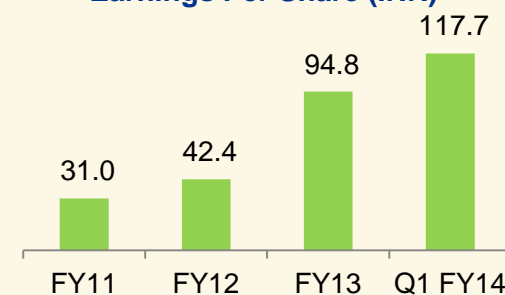
INR Million			
FYE 31 March	FY 11	FY 12	FY 13
RoE	22.4%	24.1%	37.1%
RoCE	20.1%	25.4%	36.5%
Debt/Equity ratio	0.1	0.1	0.0
Asset Turnover (times)	0.6	0.6	0.8
Current Assets / Current Liabilities (times)	1.4	1.1	1.1
Working Capital Analysis (No. of Revenue Days)			
Inventories	258	297	252
Trade Receivables	56	28	35
Trade Payables	(60)	(108)	(127)
Other Current Liabilities	(175)	(199)	(129)
Non Cash Net Current Assets (No. of Revenue Days)	79	18	31

Note: Trade Payables and Other Current Liabilities are shown negative to show net working capital impact

Financial Highlights Q1 FY14

- Revenue – INR 7,360 Mn (+53% over Q1 FY13)
- EBITDA – INR 1,643 Mn (+22% over Q1 FY13)
- PAT – INR 1,618 Mn (+22% over Q1 FY13)

Earnings Per Share (INR)



Robust revenue and EPS growth

High ROCE business

Excellent working capital management

Company Highlights



Company Highlights

Leadership Position

- Second largest producer of hybrid cotton seeds in India with a market share of ~ 15%
- One of the fastest growing seed companies in India . 4.4x revenue growth since FY10
- Leading producer of maize, hybrid paddy, millet, sunflower and vegetables. High market shares in almost all key products
- 3 times listed in “Best under a Billion in Asia-Pacific” by Forbes
- Listed on leading stock exchanges on India
- Investments of over INR 2 Bn in the last four years for strengthening R&D and capacities

Well Established Marketing Network

- Strong brand value due to quality products and pan-India presence
- Large network of ~ 15,000 distributors (direct & in-direct) and retailers across 15 key states in India
- Well structured marketing team comprising of 350 experienced professionals.
- High credibility with the farmers
- Focused programmes to spread awareness amongst farming community on new products in market
- Wide network hedges the risk of agro climatic conditions
- Strong presence in the Southern market (AP and Karnataka). Focused on expanding distribution network in northern and western India (Chhattisgarh, Jharkhand, West Bengal and Odisha)
- Exploring opportunities to participate in the international markets

Company Highlights

Strong R&D

- One of the largest pool of germplasms in India
- Growing foundation seeds in-house on own land, thereby ensuring safety of costly germplasm
- Strong and highly motivated R&D team comprising 68 scientists
- R&D Team headed by internationally acclaimed scientists: expert in plant breeding, biotech seed science & technology, and quality assurance
- Dedicated 600 acres of land for research activity covering varied agro-climatic conditions.
- Track record of 160 proprietary filings
- 57 trial centers across India

High Entry Barrier

- Need for high investments in R&D for seeds
- Lead time from R&D to commercial production is 7-8 years
- Requirement of a wide network across India for a diverse portfolio of seeds considering the varied climatic conditions across India
- A complex process of developing an effective hybrid (key skills required to choose the right kind of lines)
- Need of high degree of credibility with farmers

Company Highlights

Experienced Promoters & Strong management team

- Founder & promoter, a technocrat turned agri-business entrepreneur, instrumental in successfully growing the Company
- Over 4 decades of experience in seed industry
- Qualified and experienced management team

Diverse Product Portfolio

- Access to a wide range of products owing to the well-established R&D set-up
- High value premium hybrids of field and vegetable crops
- Capability to produce over 100 high quality hybrid seeds
- Plans to expand cultivation of culinary herbs to cater to European market

Thank You

