



Kaveri Seed Company Limited

**Results Presentation
Q2 FY16**

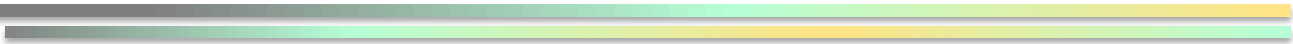
Safe Harbour

Certain statements in this document may be forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties like government actions, local political or economic developments, technological risks, and many other factors that could cause our actual results to differ materially from those contemplated by the relevant forward looking statements. **Kaveri Seed Company Limited** will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.



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Quarterly Performance & Outlook



FY16 Backdrop & Way Forward

Temporary pause in FY16 – seed industry bottoming out

Long-term structural theme intact

Sector	Kaveri
<ul style="list-style-type: none">▪ Below normal monsoon - FY16 expected to be another drought year as per IMD forecast▪ Rabi prospects also hampered▪ Cotton Headwinds:<ul style="list-style-type: none">○ Significant drop in volumes and acreage○ No price hikes▪ Higher sales returns in non-cotton crops▪ Shift in cropping pattern - switch from corn and millet to pulses and oilseeds▪ Farmers trading-down▪ Decreasing commodity prices▪ High inventories & receivables	<p><u>Overall FY16 Subdued; Counter-measures</u></p> <ul style="list-style-type: none">▪ Offer lesser credit driving better receivables▪ Maintain realizations▪ Safeguard margins▪ Focus on Cash & Carry - gain market share in non-credit markets of MP, Gujarat and Maharashtra <p><u>FY17 cotton production guidance of 9-10 mn intact</u></p> <ul style="list-style-type: none">▪ Leap in market share driven by diverse portfolio and national footprint▪ Intensifying sales effort to regain share in credit markets of Andhra, Telangana and Karnataka▪ Make further market share gains in Maharashtra and Gujrat



Q2 & H1 FY16 Performance Review

- Revenue growth impacted by shorter sales season and higher than expected returns
- EBITDA margins :
 - Lower royalty payments – calculated on the prices submitted by recommended institutions to relevant state governments
 - Focus on non-credit markets has protected realizations – better than industry average
- Company adopts a strategy of contracted employees to optimise costs and utilisation
- Significant loss due to returns of non-cotton crops
 - Non cotton crops have a much shorter shelf life resulting in higher percentage of write-offs

Rs. million	H1 FY16	H1FY15	Growth (%)	Q2 FY16	Q2 FY15	Growth (%)
Net Sales	7,574.9	10,306.0	(27)	934.3	2,037.1	(54)
Other Operating Income	-	-		-	-	
Total Income	7,574.9	10,306.0	(27)	934.3	2,037.1	(54)
Change in Inventory	1,974.0	1,859.6	6	802.9	878.7	(9)
Gross Profit	4,292.3	6,416.0	(33)	17.9	1,030.1	(98)
Gross Margin (%)	56.7%	62.3%		1.9%	50.6%	
Employee cost	159.3	172.9	(8)	82.7	90.2	(8)
Depreciation	117.7	43.4	171.	59.0	21.6	173
Other Expenses	2,327.7	3,591.5	(35)	387.8	612.1	(37)
Total Expenses	5,887.3	7,697.8	(24)	1,445.8	1,731.0	(17)
EBITDA	1,805.3	2,651.6	(312)	(452.6)	327.7	(238)
EBITDA Margin (%)	23.8%	25.7%	(7)	-	16.1%	
PBT	1,761.1	2,691.0	(35)	(458.3)	352.2	(230)
PAT	1,709.1	2,639.2	(35)	(475.3)	335.3	(242)
PAT Margin	22.6%	25.6%		-	16.5%	



Consolidated Balance Sheet Summary

Rs. million	As on September 30, 2015	As on March 31, 2015	As on September 30, 2014
Shareholders Fund	9,052.0	7,542.3	7,587.9
Long-term Debt	84.1	78.2	68.4
Asset Turnover (times)	0.7	0.95	1.01
Current Assets / Current Liabilities (times)	5.01	2.18	3.27

Total cash on books of Rs. 3,145.3 million as on 30 September, 2015

Excellent Working Capital Management

Rs. million	As on September 30, 2015	As on March 31, 2015	As on September 30, 2014
Inventories	2,920	4,943.5	2,786.4
Trade Receivables	1,992.0	1,768.4	3,220.9
Trade Payables	786.2	1,551.6	1,285.1
Other current liabilities	694.9	2,747	895.3
Non Cash Net Current Assets (No. of Revenue Days)	165	167	99



Growth Strategy

Industry Trends

- The Surge for Food - Increasing demand for food and agri products
- Increasing hybridisation - higher acceptance of Commercial Seeds
- Favourable government policies
- Seed Replacement Rate
- Cotton Seed: The White Gold
 - RR Flex technology (BGII RRF)
 - High Density Planting (HDP)
 - Mechanical Harvesting
- Maize, Rice & vegetables : High demand, Higher under-penetration

Market Network

- Reinforce cotton leadership in Andhra Pradesh and Karnataka
- Deepen cotton Penetration in Maharashtra and Gujarat
- Focused on expanding distribution network in northern and western India (Chhattisgarh, Jharkhand, West Bengal and Odisha)
- Explore attractive export markets

Products

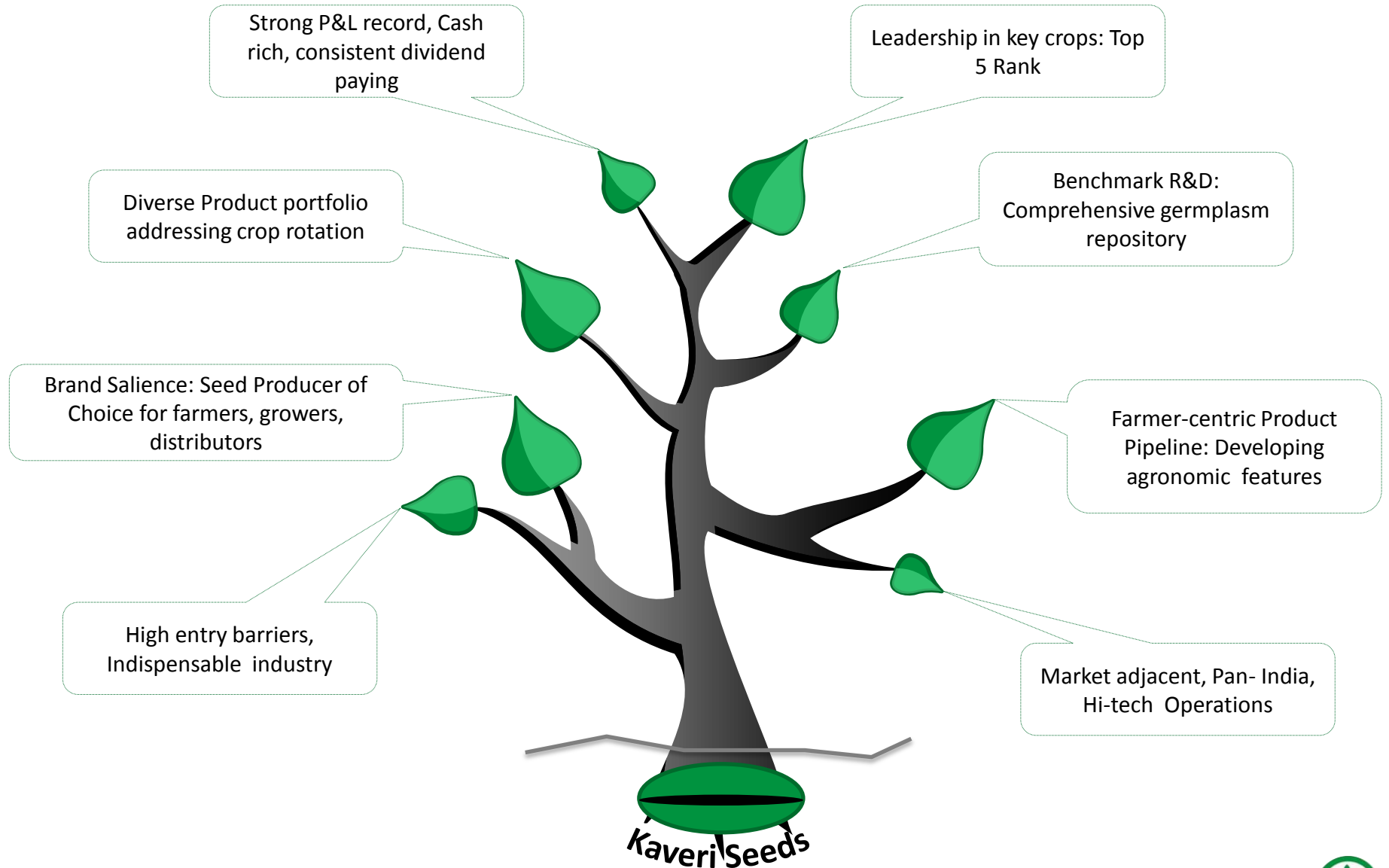
- Successfully introduced two products in cotton
- Several hybrids across Maize, Rice & vegetables
- Over the next 3-5 years, introduce new products in cotton, maize and paddy suitable for Northern & Central India
- Developing farmer-centric product pipeline for future
- Success of established products like Jadoo, ATM, etc. has safeguarded 3-5 year growth



Business Overview

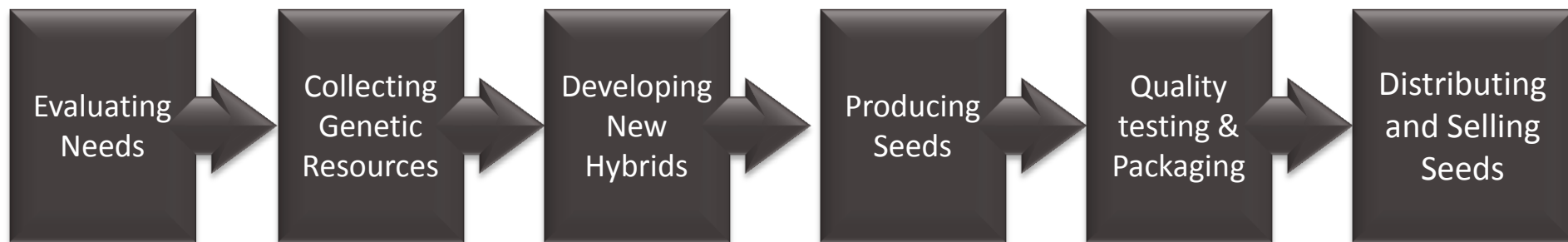


The Kaveri Moat : Seeding Profitable Growth



Complete control over all stages of Product Cycle

- A 7-10 year cycle
- Seed production undertaken post comprehensive market trialing
- Practice benchmark production regimen throughout the cycle – Grower/ Breeder to Farmer

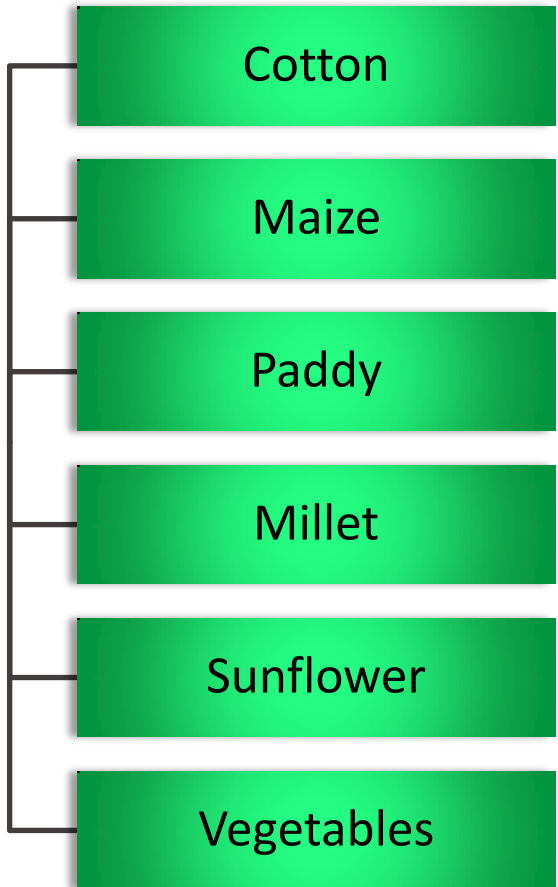


High Entry Barriers

- 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 agro-climatic conditions across India
- A complex process of developing an effective hybrid (key skills required to choose the right kind of lines)
- Need for high degree of credibility with farmers



Diversified Product Portfolio



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

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

Access to a wide range of products owing to the well-established R&D set-up

Capability to produce over 100 high quality hybrid seeds across commercial crops, food crops and vegetables

High value premium hybrids of field and vegetable crops

High brand recall across product segments in farming community



One of the Largest Pools Of Germplasm in India

- Significant investments in the last five years for strengthening R&D
- Developed proprietary germplasm and Hybrids
- Over 600 acres of dedicated research farms with varying agro-climatic conditions
 - State-of-the-art Biotech, Quality check and seed technology labs
 - Cold / DH storage for germplasm
- Multi-location breeding and trial stations
- Strong and highly motivated R&D team over 100 personnel, including 36 scientists - R&D Team headed by highly experienced scientists
 - Conjunct use of Bio and hybrid technologies in product development
 - Deployment of frontier technologies – Doubled haploid breeding, MAS (Marker Aided Selection), MARS (Marker Assisted Recurrent Selection), RGA (Rapid Generation Advance), Inbred pool-heterotic bins, MPS (Multi-parent synthetics) and MAGIC (Multi-parent Advanced Generation Inter-cross populations)
- Research and Development facility recognized by Department of Science & Technology, Government of India
- Partnering with ICRISAT, Melinda Gates Foundation's Harvest Plus program, IRRI's Hybrid Rice Development Consortium, CIMMYT and USDA program on Heat Tolerant Maize for Asia (HTMA) and DBT's Biotechnology Industry Research Assistance Program (BIRAP)
- Collaboration with NARS (National Agricultural Research System) Institutes and All India coordinated crop improvement programs of ICAR

Seed is most critical to output for a farmer: Performance ensures premium, repurchase



Best-in-class, Market adjacent, Scalable Operations



Strong Brand Equity in farming community

- Large production area across India with a loyal 'producer farmer' network
 - ~ 95,000 production growers across 12 different agro-climatic zones
 - ~ 65,000 acres under seed production
- High credibility with the farmers
- Focused programmes to spread awareness amongst farming community on new products in market

Amongst The Largest Processing Capacities

- 5 Company owned plants across 5 key locations in India with a combined processing capacity of ~ 110 tonnes per hour
- Modern equipment for pre-cleaning, grading, cob drying, storage, packing
- Large-scale grow-out test (GOT) area - 300 acres of land
- Maize cob drying facility with a capacity of 2900 tonnes per cycle
- Green houses for screening, uniform blast nursery for disease/pest screening
- Cotton delinting facility

Strong Warehouse Capabilities

- Warehouses across India with combined storage space of ~500,000 sqft
- Dehumidified, climate-controlled storage facilities
- Storage godowns of ~135,000 sqft. (cold) and ~280,000 sqft. (ambient) with holding capacity of ~25,000 MT

Pan India Presence

- Network of more than 25,000 direct/indirect distributors across the country
- ~350 highly motivated marketing professionals on a pan India basis
- Outreach centers are a key ingredient of expanding operations serving as feedback/marketing centers gauging farmer needs and educating them to grow the product in best usage techniques

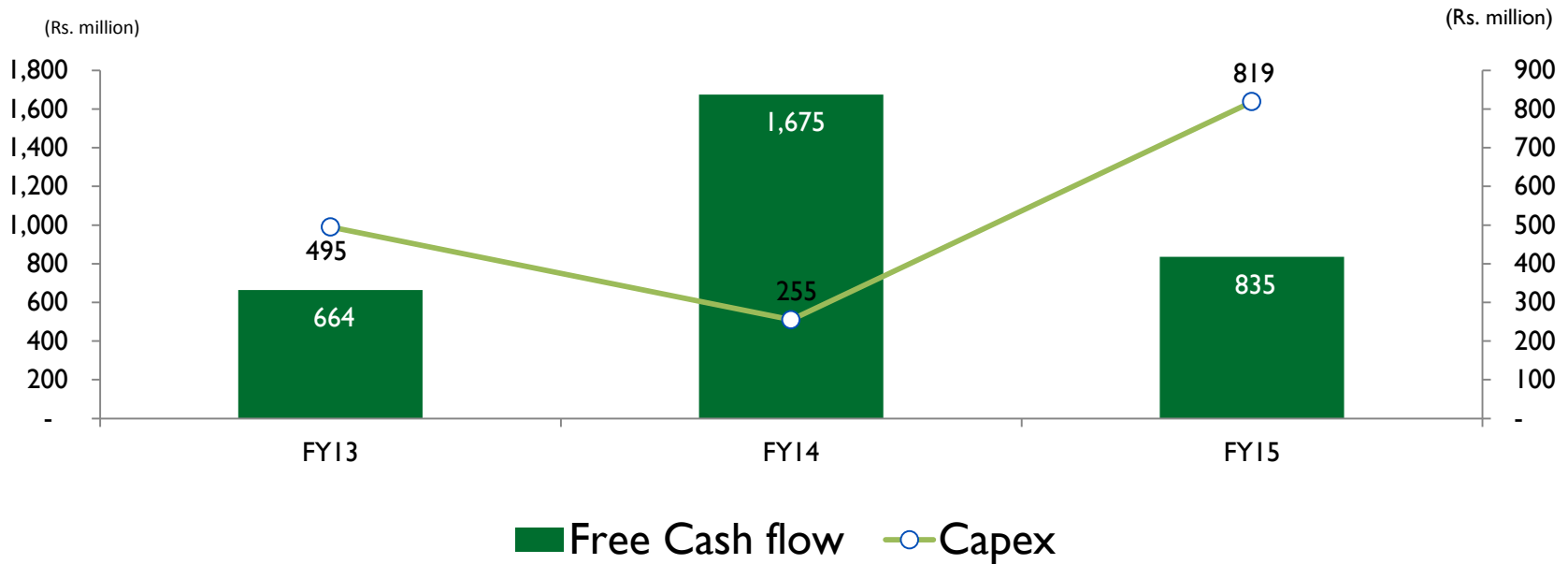


Financial Performance for past 3 years



Strong Financial Position and Profitability

Strong cash flow generation with low capex intensity supports a cash rich balance sheet



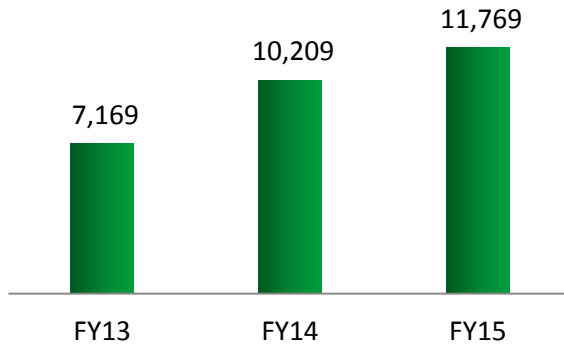
- Significant annual cash flow generation enabling strong cash on books of Rs. 3,145.3 million as on 30 September 2015
- Substantial accrual to balance sheet augments shareholder worth – creating value each successive year; 20% payout in FY15
- Provides sizeable platform to deliver future growth



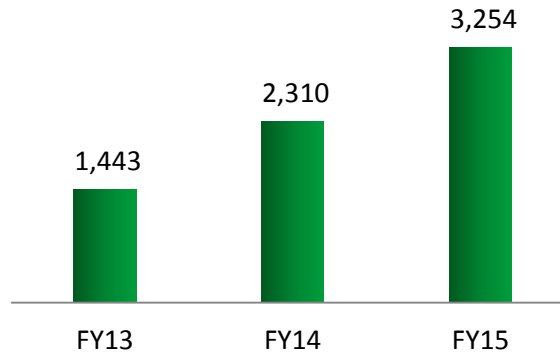
3 Year Financial Highlights: Consolidated

Significant Growth Trajectory and Superior Return Profile

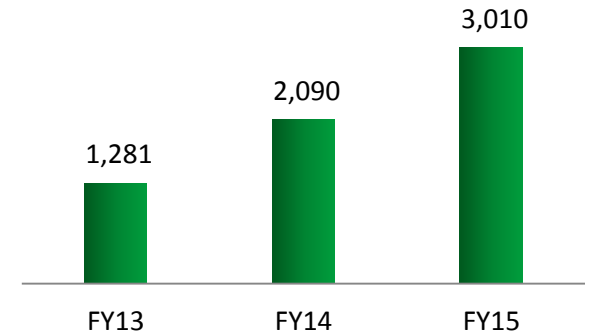
Revenues (Mn)



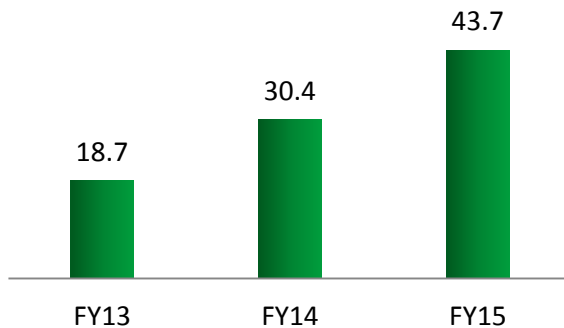
EBIDTA (Mn)



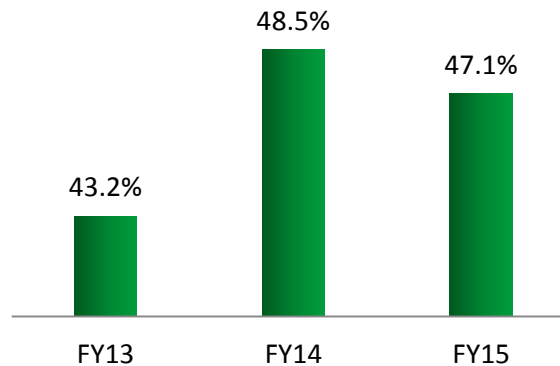
Net Profit (Mn)



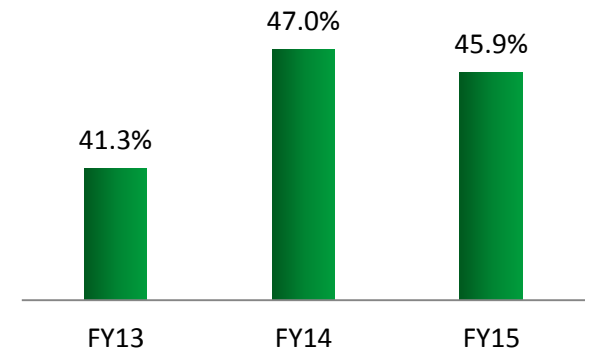
EPS (Rs)



ROE(%)



ROCE(%)





Thank you
