

kaveri seed company limited



14th November 2018

Bombay Stock Exchange Ltd.,
1st Floor New Trading Ring
Rotimda Building
P.J.Towers, Dalal Street, Fort,
MUMBAI - 400 001

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

Scrip Code: 532899

Scrip Code: KSCL

Dear Sir,

Sub: Presentation: Kaveri Seed Q2 & FY 2019 Results Announced on 14th November 2018 -Reg

Please find attached herewith Presentation of Kaveri Seed Company Limited Q2 & FY 2019 Result announced on 14th November, 2018. The same was displayed at our Company's website at www.kaveriseeds.in

This is for your kind information and record.

Thanking you,

Yours faithfully,
For **KAVERI SEED COMPANY LIMITED**




C.MITHUN CHAND
WHOLE TIME DIRECTOR

Encls: a/a.



kaveri seeds®



Kaveri Seed Company Limited

Results Presentation – Q2 & H1 FY19



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.



Contents

Kaveri reinvented

**Industry
Backdrop & Outlook**

**Quarterly
Performance**





Kaveri reinvented

Reducing
dependence
on cotton



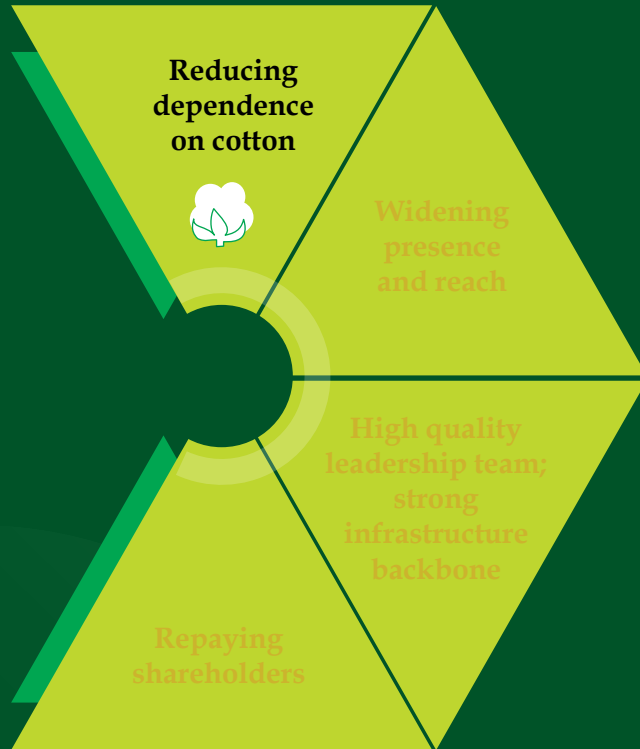
Widening
presence and
reach

High quality
leadership team;
strong
infrastructure
backbone



Repaying
shareholders





- Increasing presence in non cotton crops
- Over a 3 year time frame non cotton expected to contribute ~60% of revenues
- Transition diversifies risk profile of the revenue stream; revenues more evenly distributed across Kharif and Rabi seasons - not concentrated to one quarter
- Key non cotton crops – Rice, Paddy, Maize and Vegetables enjoy superior margin profile



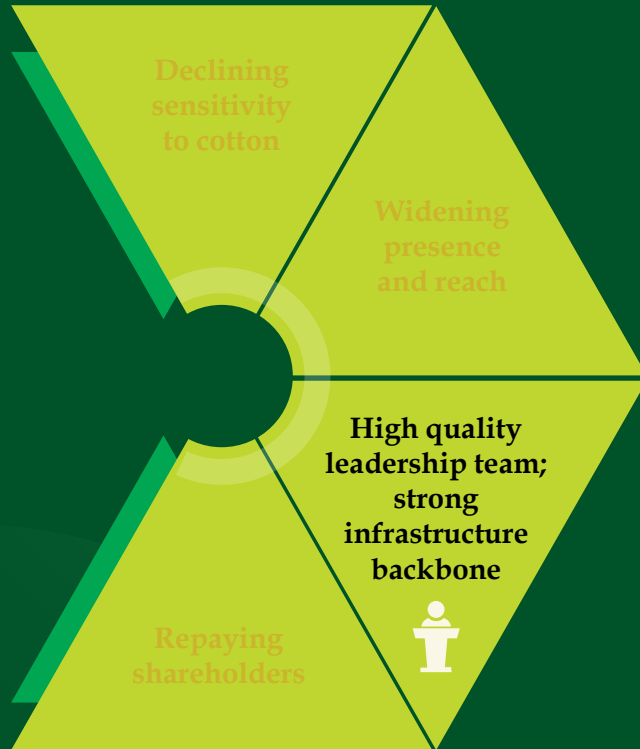
Until FY17: presence limited to South – predominantly Andhra Pradesh

Domestic

- FY18: Established leadership in cotton in Gujarat; growing presence in Maharashtra
- Thrust on entering new markets – Punjab, Chandigarh and Rajasthan over FY19 and 20 – testing successfully completed on new region specific variants

International

- Exports expanding beyond Bangladesh
- Registrations being completed across 9 other South Asian and African countries

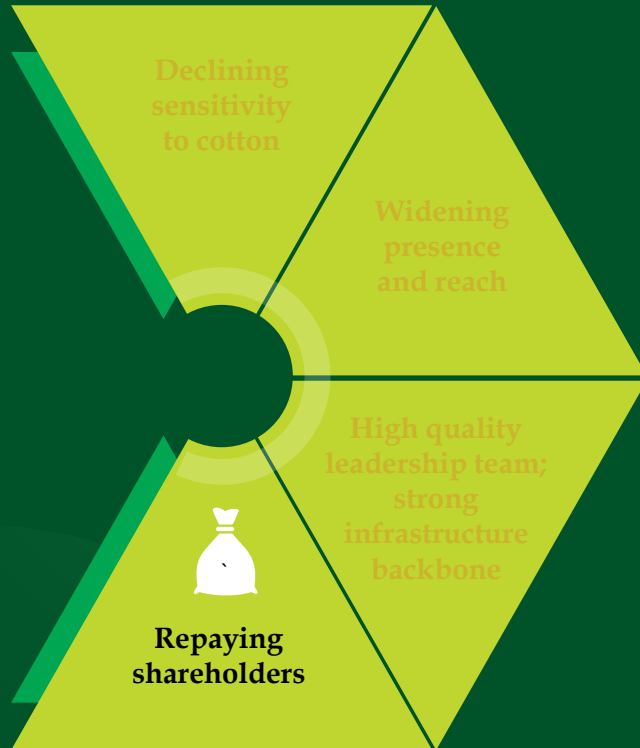


Strong leadership team in place

Most functional heads bring to the table 15+ years of industry relevant experience

Infrastructure enhancements

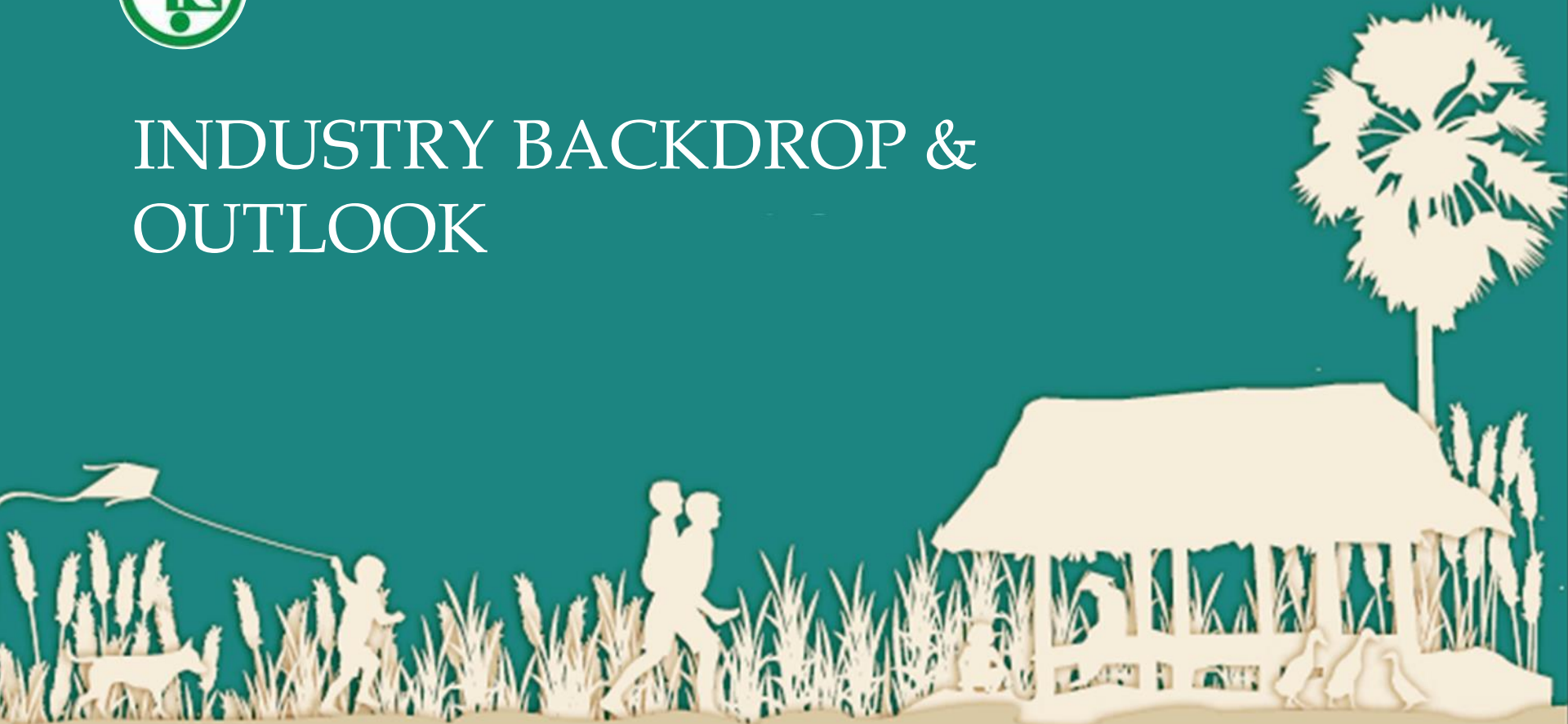
- World class operations now further equipped with large scale refrigerated warehouses – has reduced wastage and writeoffs to 5%
- Introduction of GMS technology reduces cost of production by ~15%



- Consistent annual free cashflow of Rs 200 – 250 cr
- Total Cash on books as on September 30, 2018: Rs 427 cr
- Annual capex: ~ Rs 30-40 cr
- Exploring inorganic opportunities for growth
- Focus on repaying shareholders with a large proportion of free cash
- FY17 & FY18: Over Rs 200 crore paid back to shareholders each year.



INDUSTRY BACKDROP & OUTLOOK





Industry Backdrop

- Seed Industry Sales trend compared to last year

- Cotton -
- Maize --
- Hybrid Rice +
- Selection Rice ++
- Bajra --

- Overall rainfall was delayed & deficient with wide variation resulted in lower sowing area in most crops for the same period last year

- This affected market sentiments and leading to reduced acreage and farmers down trading

- Tamil Nadu received good rains and may help late Kharif crops sowing

- Poor commodity prices coupled with delayed rains affected Maize acreage

- Attractive prices for fine rice gave boost to Selection Rice market

- Commodity prices have remained lucrative for cotton in the later part despite lower yields due to Pink Bollworm incidence

- Bajra areas severely impacted due to late and deficient rains

- Hot pepper sowing improved considerably over last year which was badly impacted due to poor commodity prices

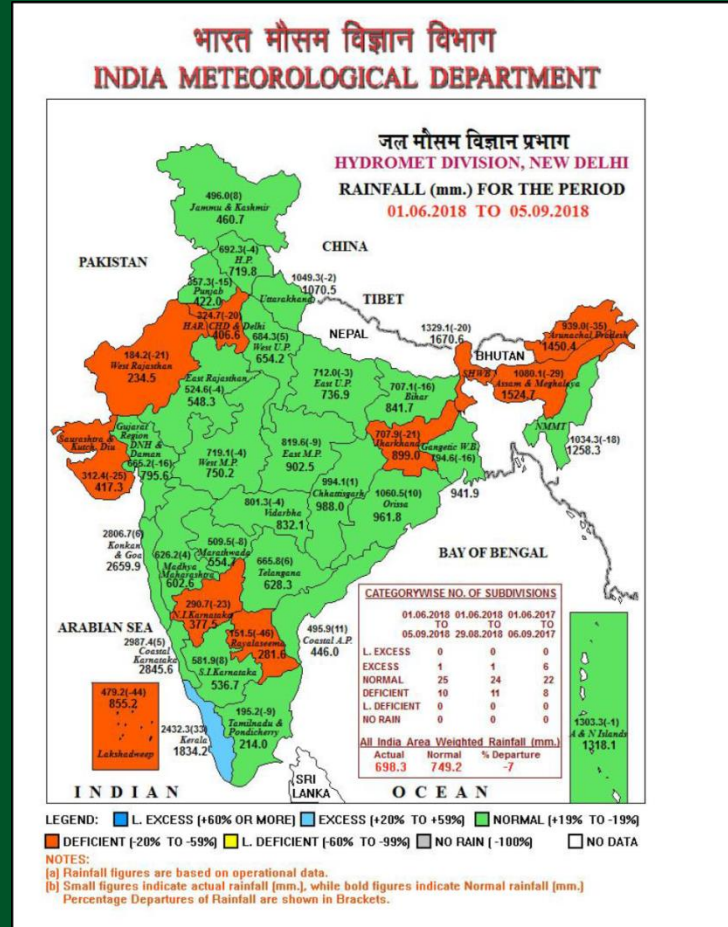
- Crop-wise area coverage during Kharif 2018: As on Sep 20, 2018

Area in lakh hectare

Crops	2018-19	2017-18	YoY Change %
Cotton	120.64	121.72	-1.08
Maize	79.23	79.28	-0.05
Rice	385.85	376.96	8.89
Bajra	65.49	70.55	-5.06
Pulses	137.93	139.49	-1.56
Oilseeds	178.27	172.91	5.36



Industry Backdrop - All India Rainfall



Source: IMD



Industry Backdrop - Cotton

Area coverage during Kharif 2018
as on Sep 20, 2018

Area in lakh hectare

State	2018-19	2017-18	YoY Change %
Andhra Pradesh	5.51	5.95	(0.44)
Telangana	17.94	8.66	9.28
Gujarat	27.09	26.36	0.73
Haryana	6.65	6.56	0.09
Karnataka	5.48	4.77	0.71
Madhya Pradesh	6.97	5.99	0.98
Maharashtra	41.23	42.05	(0.82)
Odisha	1.57	1.45	0.12
Punjab	2.84	3.85	(1.01)
Rajasthan	4.96	5.03	(0.07)
Tamilnadu	0.22	0.76	(0.54)
Others	0.17	0.29	(0.12)
All India	120.64	121.72	(1.08)

Source: Directorate of Cotton Development, Nagpur

- Fear of Pink Bollworm as well as delayed rainfall in some markets have impacted markets
- Sowing happened much late this year than last year in Central and South India
- Overall North Cotton market has been stable while Punjab saw a de-growth that was compensated with growth in Haryana
- Use of Illegal Herbicide Tolerance was found in all states this year despite Govt efforts to curb this problem . Largely encouraged by farmers to farmers selling
- Pink Bollworm reported in early stages this year. Govt and private companies are running Campaigns to create awareness month farmers to prevent loss.
- Commodity prices are at lower levels compared to last year. However, Cotton still the most profitable crop as compared to other crops
- In Q2 Cotton sowing Area is expected to cover up in Karnataka and AP in July & late Kharif sales of TN is estimated to normal given good rainfall and commodity prices.
- Over all Kharif Cotton area is estimated to be down by about 4%



Industry Backdrop - Maize

Area coverage during Kharif 2018
as on Sep 20, 2018

Area in lakh hectare

State	2018-19	2017-18	YoY Change %
Madhya Pradesh	13.61	13.17	0.44
Rajasthan	8.71	8.56	0.15
Karnataka	11.6	11.31	0.29
Maharashtra	8.29	9.14	(0.85)
Uttar Pradesh	7.36	7.26	0.10
Telangana	4.62	4.51	0.11
Bihar	3.96	4.1	(0.14)
Gujarath	3.13	3.07	0.06
Himachal Pradesh	2.93	2.94	(0.01)
Jharkhand	2.53	2.84	(0.31)
Orissa	2.26	2.28	(0.02)
Chhattisgarh	2.27	2.27	0.00
Jammu and Kashmir	1.99	1.98	0.01
Punjab	1.24	1.14	0.10
Andhra Pradesh	0.98	0.96	0.02
Others	1.39	1.38	0.01
Total	79.23	79.28	(0.05)

- On the backdrop of very poor commodity prices, the sentiments for Maize have been subdued
- Timely Rains in Karnataka & MP helped in timely sowing & Crop area increased compared to the same period last year
- Delayed rains and late sowing is likely to have impact in the sowing over next quarter especially in AP ,Maharashtra and other markets in east



Industry Backdrop – Commodity Prices Cotton

Rs. Per Quintal	Oct'18	Oct'17	YoY Change %	Sep'18	MoM Change %
Andhra Pradesh	5,859	4,298	36.33	5,703	2.74
Gujarat	5,678	4,538	25.13	5,481	3.61
Haryana	5,330	4,679	13.91	5,285	0.84
Karnataka	5,799	4,470	29.73	5,681	2.08
Madhya Pradesh	5,170	4,234	22.1	4,630	11.68
Maharashtra	5,717	4,153	37.67		—
Punjab	5,233	4,830	8.35	5,351	-2.2
Rajasthan	5,409	4,716	14.7	5,400	0.17
Tamil Nadu	5,492	5,101	7.67	5,325	3.13
Telangana	5,451	4,181	30.38	5,588	-2.46
Uttar Pradesh	5,249	5,042	4.1	5,260	-0.21



Industry Backdrop – Commodity Prices Maize

Rs. Per Quintal	Oct'18	Oct'17	YoY Change %	Sep'18	MoM Change %
Andhra Pradesh	1,501	1,344	11.74	1,355	10.84
Assam	1,426	1,360	4.82	1,242	14.79
Chattisgarh	1,257	1,277	-1.54	1,153	9
Gujarat	1,469	1,258	16.78	1,481	-0.85
Haryana	1,689	1,344	25.66	1,452	16.33
Jharkhand	1,750	1,682	4.03	1,514	15.56
Karnataka	1,409	1,245	13.17	1,264	11.46
Madhya Pradesh	1,236	1,163	6.27	1,222	1.1
Maharashtra	1,299	1,127	15.25	1,339	-2.97
Odisha	1,459	1,379	5.75	1,339	8.96
Punjab	1,454	1,196	21.58	1,047	38.95
Rajasthan	1,346	1,199	12.26	1,431	-5.93
Tamil Nadu	1,724	1,438	19.87	1,902	-9.38
Telangana	1,524	1,281	19	1,332	14.45
Uttar Pradesh	1,321	1,154	14.42	1,245	6.1



Outlook

Industry

- Despite IMD forecast of normal rains, delayed arrival of rains and deficient rains in many parts of India resulted in delayed sowings and crop mix & product mix usage by farmers
- Cotton market to be impacted by
 - Pink boll worm issues impacting yield as well as quality, & spread of HT Cotton sold illegally especially in Maharashtra & Punjab
 - Downward price revision imposed by government
- Kharif maize acreage may see slight decline in light of commodity price drop
- Hybrid Rice outlook is positive due to good performance of Hybrids. Selection Rice prospects also positive due to better commodity prices. Selection rice market saw a positive trend due to improved SRR consistently
- Hot Pepper acreage revival expected

KSCL

- Higher COGS due to low recovery in Cotton
- Cotton Price revision impact lesser than industry players
- Strong growth expected for Money Maker across markets, Jaadoo, ATM continue to sustain momentum. Strong market share gains expected from Gujarat and Maharashtra
- Non-Cotton push continues with addition of sales locations, expansion in North and new product initiatives
- Hybrid and Selection Rice to grow on the back of KPH 468 and several Selection Rice products launched.
- Maize volumes to register growth driven by Drona and Profit
- Strong Vegetable growth driven by new hybrids across Hot Pepper, Okra, Tomato, Sweet corn and Gourds



QUARTERLY PERFORMANCE





Q2 & H1FY19 Performance Review

Profitability impacted by:

- Rs 3 crore inventory write off reflected in the cost of production in Q2FY19
- Other income lower by Rs 3.34 crore as compared to corresponding quarter of the previous year. Lower other income largely due to varying maturities of investments. Other income for H1FY19 higher by 44.49% compared to H1FY18
- Increase in other expenses of Rs. 1.91 crore over the previous corresponding quarter largely due to costs incurred towards completion of share buy back program

Rs. lakhs	Q2FY19	Q2FY18	Growth (%)	H1 FY19	H1 FY18	Growth (%)
Net Sales	7,519.40	6,960.04	8.04	65,708.42	66,015.91	(0.47)
Cost of Production	3,683.10	2,470.39	49.09	34,825.42	33,184.60	4.94
Gross Profit	3,836.30	4,489.65	(14.55)	30,883.00	32,831.31	(5.93)
<i>Gross Margin (%)</i>	51.02	64.51	(20.91)	47.00	49.73	(5.49)
Employee cost	1,009.40	1,167.89	(13.57)	2,174.87	2,348.70	(7.40)
Other Expenses	2,039.94	1,847.99	10.39	7,570.24	8,321.06	(9.02)
Other income	1,306.28	1,640.31	(20.36)	2,989.56	2,069.05	44.49
EBITDA	2,093.24	3,114.07	(32.78)	24,127.45	24,230.60	(0.43)
<i>EBITDA Margin (%)</i>	27.84	44.74	(37.78)	36.72	36.70	0.04
Depreciation	470.18	605.91	(22.40)	1,004.82	1,236.06	(18.71)
Finance Cost	2.11	6.63	(68.19)	3.94	30.68	(87.16)
PBT	1,620.95	2,501.54	(35.20)	23,118.69	22,963.86	0.67
PAT	1,193.76	2,090.62	(42.90)	22,251.95	22,328.30	(0.34)
<i>PAT Margin (%)</i>	15.88	30.04	(47.15)	33.86	33.82	0.12



Consolidated Balance Sheet Summary

Rs. Lakhs	As on Sep. 30, 2018	As on Sep. 30, 2017
Shareholders Fund	103,373.81	102,577.95
Long-term Debt	187.82	163.86
Fixed Asset Turnover (times)	1.81	1.94
Current Assets / Current Liabilities (times)	2.61	3.12

Total cash on books of Rs . 427 crore as on 30 September, 2018

Rs. Lakhs	As on Sep. 30, 2018	As on Sep. 30, 2017
Inventories	45,419.47	37,292.64
Trade Receivables	23,144.37	25,558.27
Trade Payables	37,789.44	21,747.17
Other current liabilities	5,259.32	4,702.01
Non Cash Net Current Assets (No. of Revenue Days)	401.35	411.82



Cash investments as on 30 September 2018

Rs.in Lakhs

All figures based on cost

Fund House	Liquid	Liquid Plus	FMP	CP	Medium Term	Short Term	Total
ASK					2,991	3,035	6,026
BIRLA	1	10	2,100		1,220		3,332
FRANKLIN			500				500
HDFC			4,905		3,800		8,705
ICICI			2,991		3,703	450	7,144
IDFC		283			922		1,206
IIFL					2,705		2,705
KOTAK		4,000	500				4,500
RELIANCE		1,253	600		5,300		7,153
UTI			648				648
Total	1	5,546	12,244		20,642	3,485	41,917

Total cash on books of Rs . 427 crore as on 30 September, 2018



Value creation

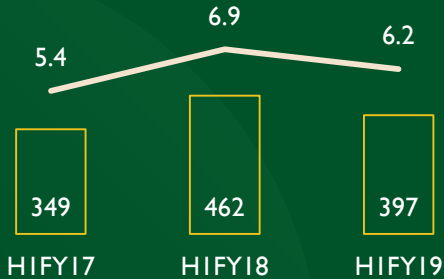
- Significant annual cash flow generation enabling strong cash on books
- Substantial accrual to balance sheet augments shareholder worth
- Continues to judiciously and cautiously create long term shareholder value
 - Announced in May 2018 and completed in September 2018; Rs. 200 crore buyback (at Rs. 675 per equity share)
 - Announced interim dividend of Rs. 3 per equity share of FV Rs. 2 each in November 2018



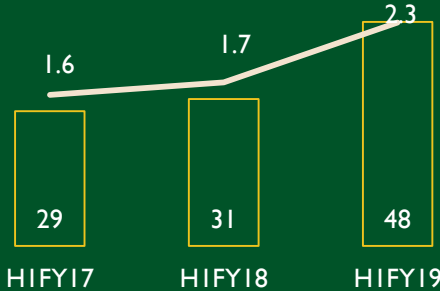
H1 FY19 Operational Highlights

- Cotton Kaveri volumes decreased by about 12% in H1 FY19
 - Gained cotton seed market share in Gujarat, Maharashtra & Northern Markets
 - Contribution of new product went up from 9% to 20% of volume
- Maize volumes growth of 3% in H1 FY19
 - Market declined in key Kaveri states of Telangana , Maharashtra & North Eastern markets
 - Government business volumes doubled compared to last year
- Hybrid Rice volumes increased by 27% in H1 FY19
 - Introduction of new hybrid 468 helped > 200% growth
 - Govt Business doubled in Hybrid rice in FY19
 - Contribution of new product went up from 15% to 35% of volume
- Selection Rice volumes grew by 31% in H1 FY19
 - Contribution of new products went up from 12% to 21%
- Bajra Sales declined over last year
- Non cotton business has grown significantly by about 23% driven by volume growth in new hybrids and also price appreciation in key products
- Money Maker Scale up across market this year . 2 new Cotton hybrids under demonstrations with farmers. Performance of Money Maker appreciated by farmers across markets
- In maize, new hybrid Drona scale up done across market with good growth.. 2 new hybrids in maize launched in Kharif
- Spread of new products done across markets in Bajra in Kharif
- In hybrid rice, new hybrid scale up with tremendous growth across markets with more than 2X growth in 468 & 475
- In selection rice, consistent performance across geographies. New products scale up done with tremendous growth in Coastal King , Elito & Shireen across markets

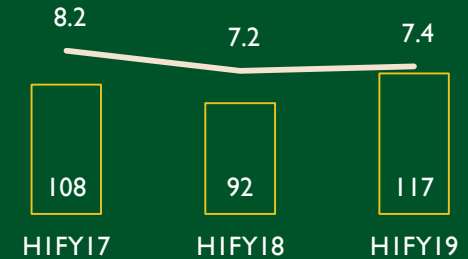
Cotton seed revenue & volumes



Hybrid Rice seed revenue & volumes



Maize seed revenue & volumes



Net Revenues (Rs cr)

Net Revenues (Rs cr)

Sales Volume ('000 tons)

Net Revenues (Rs cr)

Sales Volume ('000 tons)

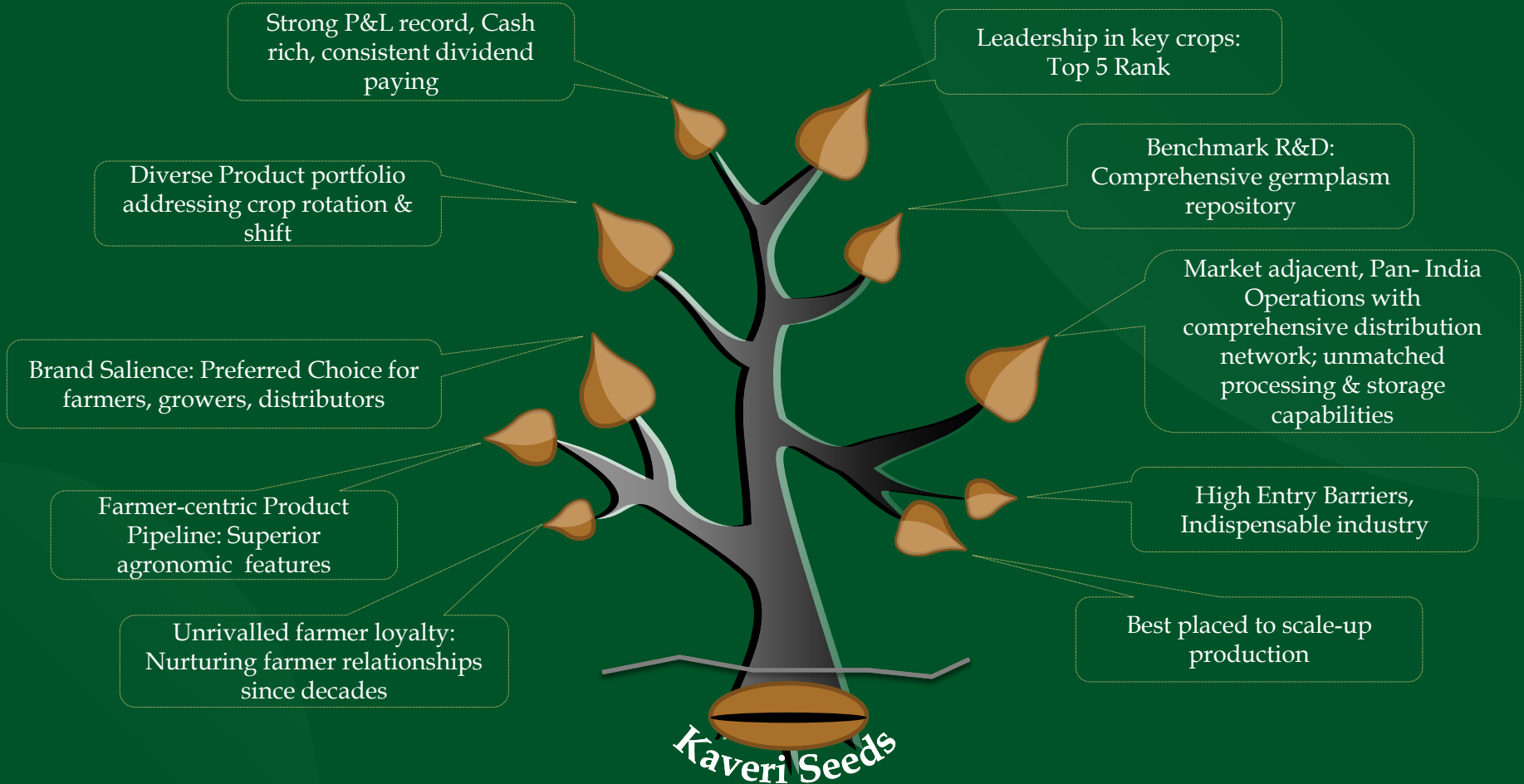


Growth Strategy – Initiatives FY19

Diversification	Organizational Capability	Increased visibility and mindshare	Supply Chain	Reinforce cotton leadership
<ul style="list-style-type: none"> ▪ Continue to reduce dependence on Cotton Business <ul style="list-style-type: none"> ○ Rapid growth of new products launched in Maize (Profit, Drona, Sultan & KMH 563) ○ Grow in Hybrid Rice business with 468 and in Selection Rice with launch of new products ○ In Bajra, launch of Supremo for Summer Millet and Scaling up growth of Maximo ▪ Nurturing Vegetables business <ul style="list-style-type: none"> ○ Launch of many new products, in Hot pepper, Okra, Tomato ○ Optimize channel network by expanding in Central and East and rationalizing channel in South 	<ul style="list-style-type: none"> • Human Capital <ul style="list-style-type: none"> ○ Strengthen MLT team ○ Build capabilities of mid-level talent across verticals • Processes <ul style="list-style-type: none"> ○ HR tool is being implemented ○ SAP implementation nearing completion ○ Redesigned R & D trial layouts ○ Strengthen Disease management part of R & D by investing in Pathology lab and Pathologist 	<ul style="list-style-type: none"> • Farmer Connect <ul style="list-style-type: none"> ○ Scale up of demonstrations ○ Intensive BTL activities • Channel Engagement <ul style="list-style-type: none"> ○ Map villages linked to focused channel partners ○ Leverage the goodwill from channel loyalty program ○ Ramping up manpower (Recruiting new headcounts) ○ increased investment in R&D 	<ul style="list-style-type: none"> ▪ Deliver volumes as per growth plan <ul style="list-style-type: none"> ○ Proper Pink Bollworm Management to ensure better Cotton recovery ○ Strictly implementing Sowing Window ○ Map high productivity villages to manage procurement rates ○ Diversify locations to mitigate risks ▪ Establishing new Vegetable seed production locations to deliver the targeted volumes ▪ Value added services to production growers <ul style="list-style-type: none"> ○ Exclusive Kaveri village concept ○ Rewarding High yielding growers ○ Providing technical support to the growers by conducting technical training program ▪ Effective Inventory Management <ul style="list-style-type: none"> ○ Quarterly Ageing Analysis to minimize the losses ○ Storing sensitive/MR stock in Cold stores ○ Implementing warehouse Management system to minimize the material loss 	<ul style="list-style-type: none"> • Expanding footprint outside of Telangana/Andhra Pradesh and Karnataka Grow market share gain in Gujarat and Maharashtra • Increased R&D effort for North • Scale up Money Maker rapidly



The Kaveri Moat: Seeding Profitable Growth





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THANK YOU