



NATH SEEDS®

Nath Bio-Genes (I) Ltd.

(CIN L01110MH1993PLC072842)

12th August 2020

The Manager-Listing
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai-400001

The Manager-Listing
National Stock Exchange of India Ltd.,
Exchange Plaza, Bandra-Kurla Complex
Bandra (E)
Mumbai-400051

BSE Code-537291

NSE Code-NATHBIOGEN

Subject- Transcript of Conference Call with the Investors/Analysts.

Dear Sir/Madam,

The Company had organized a conference call with the Investors/Analysts on Monday 10th August, 2020 post declaration of its unaudited Standalone Financial Results for the quarter ended 30th June 2020. A copy of transcript of conference call held with Investors/Analysts is enclosed herewith and the same being uploaded on Company's website.

We request you to please take the above on record

Thanking You

For Nath Bio-Genes (India) Limited

Devinder Khurana
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**NATH
GROUP**

TRANSCRIPT**Nath Bio Genes Q1FY21 Earnings Conference Call****Event Date / Time** : **10th August 2020, 11.00 HRS IST****Event Duration** : **48 mins 35 secs***Presentation Session*

Pavithra: Good morning ladies and gentlemen, I am Pavithra moderator for the conference call. Welcome to Nath Bio-Genes Q1FY21 earnings conference call. At this moment, all participants are in listen only mode, later we will conduct a question and answer session. At that time if you have a question please press star and one on your telephone keypad. Please note this conference is recorded. I would now like to handover the floor to Ms Radha Agarwalla of Go India Advisors. Thank you and over to you ma'am.

Radha Agarwalla: Thank you, Pavithra. Good morning everyone. Welcome to Nath Bio-Genes India Ltd. Earnings call to discuss Q1FY21 results. We have on the call with us today, Mr Devinder Khurana, CFO and Mr Madhav Dhande, head of marketing. We must remind you that the discussion and today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risk that the company's

Pavithra: Sorry to interrupt, sir. Operator here, we have lost Ms Agarwalla's line.

Sheetal Khanduja: handover to....

Pavithra: Yeah. Dear participants, I would now like to handover the call to Mr Devinder Khurana. Thank you and over to you sir.

Devinder Khurana: Thank you. Good morning everyone and thank you all once again for joining us on this call. I would like to start by saying that all of here at Nath Bio-Genes hope that you and your family remain safe and healthy within this global health crisis. The ongoing pandemic has indeed taught us many things and a key learning from this crisis has been to keep de-risking the business model to make it more and more robust. We at Nath have taken some strategic steps towards de-risking our business model and I will discuss the same with you shortly, but before that I would like to give you a brief overview of our financial performance for this quarter. One key development, which has happened during this quarter is pertaining to our credit rating. We have been upgraded in our credit rating from BBB stable to BBB plus with a stable outlook by India Ratings and Research, which is a Fitch Group company. The agency has considered our strong balance sheet, our diversified product mix, wide scale of operations and a strong near-term outlook as the key driver for the assigned rating. The press release pertaining to this would be uploaded on the stock exchangers and the company website in this week. I would now briefly discuss our performance during the quarter. During Q1 our topline grew by around 17% plus and we have a revenue of INR 193 crores. Our gross margins are maintained at around 50% and our EPS grew by 17% to rupee 22 per share. Our strong financial performance was obviously driven by an equally good operating performance. Revenue from cotton registered a growth of 17% despite the cotton

scenario in the country. We will develop on it separately. Vegetable registered an extremely strong growth of 50% plus in kharif season due to our special emphasis in this vertical. Paddy revenues were up by 14% as a regular normal growth. Plant nutrient supplement registered another strong growth of 23% in this quarter. Our kharif 20 season is progressing well with targeted seeds well placed in the market. I would now like to cover some strategic initiatives, which we have taken to ensure long term sustainability of our bottom line. As you have all been aware, our growth in the last five years have been primarily driven by two products, cotton and paddy. We launched some outstanding cotton products in the market, which were top ranked in the ICAR trials and they have seen great traction. If you see the aggregate contribution of cotton and paddy over the last five years, you will notice that it has been over 65%, which is pretty concentrated and this is where we see the need to change. The cotton market over the last few months has seen some developments, which can put some pressure on the profitability of the cotton seed business. We now anticipate that the price control by the government on cotton seeds might last longer than earlier envisaged. Secondly, there has been an influx of illegal BT cotton seed in the market and the regulations have not been able to stop this, reducing the addressable market. In response, we have decided to take our foot off the pedal a little and grow our cotton portfolio in line with the rest of the portfolio of the company and allocate more resources to our diversified portfolio. The aim is to cash upon the seasonality of the seed industry. Thankfully, we can insulate ourselves from these risks to a large extent on account of our diversified portfolio. As you are aware, besides cotton and paddy we also have a large portfolio of vegetable seeds, field crop apart from the plant nutrient and this ladies and gentlemen is the shift in the strategy which will ensure the longevity of our growth story. The company has strategically decided to increase our R&D and marketing focus on high margin vegetable and other field crops which currently contribute less than 40% of our sales. Cotton will continue to grow at 20% plus growth rate which is in line with the overall company growth. Paddy will also continue to pitch in as earlier, however, a large part of our future growth will come from our vegetable, other field crops like bajra, maize, mustard, wheat and then of course the plant nutrient portfolio. Over the next two years we expect that these segments would constitute almost 50% of our overall sales thereby making our portfolio a lot more balanced. I would like to inform you that we already have a good research and development focus on these segments and in the last five years, we have launched 30 plus vegetable seed products and we have around 10 plus in pipeline currently with R&D continuing to work on more. Similarly, our other products like maize and bajra are seeing an exponential growth and sales contribution from these would substantially increase going forward. These strategic changes would name Nath 4.0 a diversified company, seasonal and de-risked seed company with a strong growth potential across multiple categories. Over here, I would like to emphasize that we are not entering any new product category. We are simply strengthening the focus on non-cotton categories also. An increased focus on other products would also provide us with a larger portfolio to tap the export market thereby further reducing our risk. We are working relentlessly towards creating long term shareholder value and we are confident of delivering superior growth over the next few years again. With this I would like to open the floor for questions. Thank you.

Pavithra: Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press star and one on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing star and one again. We have first question from Keval from Akshar Investment Options. Please go ahead.

Keval: Congratulations sir on the great set of results. The question I had was what is the result for the subdued return on capital that you have since last two years and what are the future guidance and return on capital employed, which we expect?

Devinder Khurana: Sorry, can you just please repeat? Your voice was not very clear if you don't mind.

Keval: Yes, sure, sure sir. So what are the reasons for the subdued return on capital employed over the last few years, margins if I see over year we had quite healthy return on capital employed margins which are subdued to over 9% or something, so what are the guidance on return on capital employed we can expect over the next five years?

Devinder Khurana: Let me answer this please. All of you are calculating ROCE based on my current network which also includes the fair market value of my land, which was contributed because of the valuation which was enforced from the companies due to Ind AS, we being a listed company. Based on that when you calculate ROCE, it looks low as compared to earlier year. Let me ensure you the company is growing with a CAGR of around 20%, ROCE including our fair market value or excluding the fair market value will continue to grow at the same pace. We expect the company to cross 20 to 25% over next four-five years, accordingly the returns will also grow.

Keval: Sure, sure sir. We are very happy with the company's forefront. Thank you.

Pavithra: Thank you sir. we have next question from Nitin Awasthi from East India Securities. Please go ahead.

Nitin Awasthi: Hello, sir, a few questions from my side. Firstly, on the cotton portfolio what was the royalty payment which was paid in Q1 last year? I think a rough number will do. Yeah, rough numbers will also do, no need of exactly, even if you can give me a percentage roughly.

Devinder Khurana: The royalty is around 20 rupees last year per packet. And this year it has gone out. Now there is no royalty left.

Nitin Awasthi: Yes, and normally where is this booked? In which...

Devinder Khurana: It is booked in the balance sheet. We show it as royalty, I think it is in the selling expenses or something and I have to check that, if you want to check it you can have a look at the balance sheet.

Nitin Awasthi: Okay, okay, so it's there in the selling expenses. You know, why I asked this question is, last year in spite of having the royalty we had selling expenses of close to 35 crores, this year without having the royalty we have a selling expense of close to 40 crores, if you could just shed some light on that.

Devinder Khurana: Yeah, so what you are asking me is let leave the royalty aside, what you are asking is why there is an increase in the selling expenses of the company? Let me address that. Selling expenses include the moneys spent by the company in the market to ensure that the product visibility goes out to the remotest of the corners. Selling expenses

because we make people travel all over the territories to ensure that our product is seen by the farmers. Selling expenses increased because we go for advertisements, we go for sales promotion, we go for field days, we go for road shows and all those. When we want to grow the top line, we do not have an option, but to increase the selling expenses to meet that. So, the selling expenses have basically increased because of that.

Nitin Awasthi: Okay, sir. Got it.

Devinder Khurana: And let me also tell you if you are talking of last full year and then if I take out my selling expenses to save, we are clocking last year if the percentage was 22%, this year it has gone to around 21% only. So, please calculate the percentage of selling expenses viz a viz the topline, that will be better.

Nitin Awasthi: Got it sir. Okay. Sir, secondly coming to these illegal seeds that you spoke about in cotton where there has been a rapid use of illegal seeds, how much percentage of the market would roughly right now be covered by the illegal seeds.

Devinder Khurana: Now this I would request Mr Dhande to take it on. He would be able to explain it better.

Madhav Dhande: Good morning Awasthi ji.

Nitin Awasthi: Hello, sir.

Madhav Dhande: Hello, this year this illegal BT has fared up very well particularly in the state of Gujarat, Andhra Pradesh and Maharashtra mainly and it has occupied the space of around 50 lakh packets. It has never gone to north and it will not go to the north. So, if we consider excluding north it is a three crore packets market in that it is 50 lakh packets.

Nitin Awasthi: Okay.

Madhav Dhande: So, it will come to around 17 to 18%.

Nitin Awasthi: Okay. So, that was very helpful, sir. Sir and the last question from my side would be just on the when I look at your revenue growth and your volume, how the volume has performed, I see that the paddy revenue has not kept in line with the paddy volume growth, is there a specific reason for that?

Madhav Dhande: What we do is, when we give the paddy volume we give, we club it between research paddy and hybrid paddy.

Nitin Awasthi: Hmm.

Madhav Dhande: So, as a result if the hybrid paddy goes more it gives me lesser volume, but more margin and if research goes this takes more volume and lesser margin and we have to maintain both the lines and contribution margins to ensure that we make the profitability that is why you will find that volumes and the values will not increase in the same proportion anytime.

Nitin Awasthi: Got it sir. That's all from my side, sir. Thank you for answering all the question and especially for the illegal seeds part you explained this very precisely. Thank you very much.

Madhav Dhande: You are most welcome.

Pavithra: Thank you sir. Ladies and gentlemen, if you have a question please press star and on your telephone keypad. We have next question from Rohit Nagraj from Sunidhi Securities. Please go ahead.

Rohit Nagraj: Good morning sir and thanks for the opportunity and congrats for good set of numbers. Sir, can you give us the volume figure this time we had given on the degrowth figures, so absolute volume across all the four products for the quarter.

Devinder Khurana: You are looking for the quarter products. Okay, I think we have put it in the slide. Okay, let me take it out for you again. Cotton, I think cotton has grown by 17%.

Rohit Nagraj: Yeah, so can you give in terms of number of packets and paddy in terms of quintals, Win Chi Win in terms of liters, vegetables in terms of quintals?

Devinder Khurana: Yes, give me a second if you don't mind.

Rohit Nagraj: Sure, sure.

Devinder Khurana: Let me retrieve it for you. Okay, so cotton is around 12.5 as of now.

Rohit Nagraj: Right.

Devinder Khurana: And paddy is around 55 thousand tons, quintals, quintals sorry.

Rohit Nagraj: Right.

Devinder Khurana: And vegetable and Win Chi Win we normally don't top up quantity, we top up values. They have already contributed around 800.

Rohit Nagraj: Okay, okay. Sure, sure. Sir, second question in terms of vegetables, now we have seen lot of competitors are also talking about entering into this segment because this is one of the fastest growing and there is good amount of opportunity for everyone, so in terms of our strategy, what are we currently looking at in terms of the current markets which we are serving? So, is it gaining more market share in the current markets or to enter into newer markets?

Devinder Khurana: I will give part answer and part answer Mr Dhande will take on. We had visualized that vegetable is going to be a very strong market, so we had already started defocusing rather I won't use the word defocusing, we have started focusing our R&D on vegetable also with the influx of Dr Chandra Pathak, who is the best R&D guy in the country today. Last year we told you people that we are setting up a separate vertical for vegetable, which will do full justice to the vegetable marketing in the country. Mr Ram Kumar Pandey is

the business lead for vegetable working separately on this. Mr Dhande of course looks after the whole company. Now, with this influx of our thought process, we have ensured that we are ahead of others going into the vegetable segment. Now how the market share and what is the future strategy for growth, I would let Mr Dhande handle that.

Madhav Dhande: So, good morning Ravi, Rohit and it's a good question that vegetable, so of course we have a PAN India presence, we have a team for vegetables all over the country, but our focus is mainly on Tomato, Okra and Cucumber. Our tomatoes surfaced out very well. We have nine hybrids right now and it suits to all geographies and all the season of the country because tomato is a very specific, season specific, area specific. South needs a green shoulder kind of it and Maharashtra, Gujarat needs round kind of a tomato, so we have well equipped in our tomato. Similarly, okra, almost ten-month crop of the year and we have suitable hybrids for that and cucumber. In these three segments out of our total vegetable revenue we are aiming for around 65% through these three crops. And chili of course we are at the entrance level, we are at the entrance level and in the industry also okra is the top most, second is tomato, third is chili and cucumber of course fifth or sixth. We entered into the cabbage and cauliflower all crop that is also a good segment of around 500 crore segment. We are at the entry level. So, we are going product specific, season specific. Of course, competition is there, but products are being replaced very fast. The product which was a talk of the town yesterday may not be a talk of town tomorrow, so ongoing research is very important and Dr Pathak is well equipped with the product line suited for the next five years to go.

Rohit Nagraj: Okay, thanks. Thanks for that and sir, sir in terms of receivable situation, how it was panning out in the current circumstances in this Covid scenario for the first quarter and almost a month has also gone by for second quarter.

Madhav Dhande: There was a strain on cash flows which nothing that we could not handle, but because of Covid and because of the farmers not been able to come out and, you know, their rabi recoveries had got delayed at the government level and the state government level, so there was a strain, things are normalizing and they are definitely turning out to be better and we as a company are in any case committed to ensure that our receivables remain lesser than what they were in FY20. I think it's under control. No panics there.

Rohit Nagraj: Okay, sir and one last question if I can .We have provided the employment numbers and the addition at the top segment level as well as in the distribution side over the last three years which has been quite commendable. So, is it apt to assume that now we have created all the brief incomes of the verticals as well as employees and probably for the next two-three years we don't have to focus on new employment as such?

Devinder Khurana: Company leaving vegetable aside had already had sufficient number of employees to ensure that then growth goes beyond 500, however, with our thought process of setting up a separate vertical of vegetable there was a need to create a separate vertical from zonal manager downwards, regional manager that is why you find that senior people have been picked up over last two years. Now your question whether we are geared up for future? Yes, we may down the line try and create a full-fledged vertical for nutrient supplement also. If you find that the profitability and the growth potential is there, but as of now the company is well lined up for all the three verticals apart from exports.

Rohit Nagraj: Alright sir. Thanks a lot, and best of luck.

Devinder Khurana: Welcome Rohit.

Pavithra: Thank you sir. Ladies and gentlemen, if you have a question please press star and one on your telephone keypad. We have next question from Jai Arora from Virtual Capital LLP. Please go ahead.

Jai Arora: Hello...

Devinder Khurana: Good morning Jai.

Jai Arora: Good morning Khurana ji and to other staff and another management side. Okay, one question. Sir our selling and distribution expense actually the amount of money we are spending, if you are spending one rupee and selling a distribution, we are generating around something between 4.6 to 4.8 rupees of revenue. I mean into 4x, 4.6 to 4.8x. Can we, is it as per the industry standards? Or can we do something that we can cross 6. For example, for every one rupee we are spending on selling a distribution we generate 6 rupees revenue, can we aim to do that? Is it possible? This is my one question and just a suggestion that if from the next, right now when we are declaring the results we are combining admin and R&D expenditure as a combined, so can we just bifurcate it into two heads just to get a, just to know how much we are spending on R&D and other admin expenses, just for that nothing else?

Devinder Khurana: Yeah, okay so Jai let me take the second one first. We don't mind doing that. We have it in the audit results and next quarter I will split it up and give it don't worry of that, that's not an issue. R&D like we always maintain around nine to ten crores is what we are trying to, you know, balance out, so even in the same line if you go through this quarter you can pull amount 2-2.5 in R&D. Secondly, selling expenses like somebody else also asked, I said it is around 20%, your calculation is perfectly correct. You are asking us to reduce the percentage of selling expenses viz a viz the sales. Let me also tell you that it is always the endeavor of every company to get the maximum buck out for every rupee that you have spent. Our aim is always to reduce the selling expenses viz a viz the topline, but when you are at a nascent stage of growth and when your products are still to be generally pulling up from the market, it is also your job to ensure that your product reaches and the smell of your product reaches to the farthest corners of the country, but that we have to spent a little more, but your point is well taken. We are always on the system of trying to reduce our expenses. This will continue to happen. Thank you.

Jai Arora: Okay, so thank you.

Pavithra: Thank you sir. Ladies and gentlemen, if you have a question please press star and one on your telephone keypad. Next, we have follow up question from Mr Keval from Akshar Investment Options. Please go ahead.

Keval: Hello...

Devinder Khurana: Yes, please.

Keval: Yes, sir. So, what are the, do we have any vision for revenue of our next five years or something like that?

Devinder Khurana: I said in my presentation also and I made it in the opening also, the company plans to grow at the CAGR of around 20 to 22-25%. If the export come through the way we have been contemplating and fighting over it that will be a cherry on the cake. Otherwise, even with our existing structures and diversification and seasonality of the products, we will continue to maintain our promised growth of around 20 to 25%.

Keval: Okay, great sir. Thank you.

Pavithra: Thank you sir. We have next question from Mr Anurag Patel from Roha Asset Management. Please go ahead.

Anurag Patel: Thank you for the opportunity. So, my question is to Mr Dhande. Sir, you just said the illegal seeds issue is almost negligible in north India, so can you just explain the reason of that indeed?

Madhav Dhande: Hello.

Anurag Patel: Yeah.

Madhav Dhande: Anurag, your question is our presence in north is very low.

Anurag Patel: No, no, no sir.

Madhav Dhande: Illegally....

Anurag Patel: Yeah

Madhav Dhande: Okay, okay so I got confused. Yes, yes. So, illegal, particularly for the north the hybrids are different, unique. It should be tolerant to CLP and this illegal industry is going for what is moving very fast. So, that's why that kind of breeding is not there at their level and season is very early. It starts sometimes in the month of March and it finishes by end of April. So, that's why we found that this illegal BT is not moving that much in north. Secondly, some of the people they tried it to introduce, but they could not get the significant difference in it because what happened, the weeds is not a problem in north because it is cultivated in summer and they have a plenty of time to remove the weeds, labor and the intercultural operations because mechanized farming is there, so there is no scope for the cotton weedicide that much in the north. These are the two reasons; it is not moving.

Anurag Patel: Okay, sir. And second question is if you can help with your zone wise revenue distribution, like north, south, east and west.

Devinder Khurana: What happens is that when it is, see the cotton comes through in basically Maharashtra, Gujarat and South. Paddy goes to the eastern sector and bajra and this thing that goes to the western sector. So, currently, this is the basic scenario. If you want exact details, I don't have it ready now because this was not expected, but you can always give me a call and I will let you know.

Anurag Patel: Okay, sir. Thank you very much.

Devinder Khurana: Welcome.

Anurag Patel: That's all from my side.

Pavithra: Thank you sir. Ladies and gentlemen, if you have a question please press star and one on your telephone keypad. Next, we have follow-up question from Jai Arora from Virtual Capital LLP. Please go ahead.

Jai Arora: Khurana ji, just one more thing if you can highlight. Is it possible to give a timeline by when can we expect something from the export side to materialize?

Devinder Khurana: Okay, see export has been a thorn. It has been, we are exporting. It is not that we are not exporting, we are exporting around 10 crores, which is not enough for us, 8 to 6 to 10 crores, that is not enough. We have this year; this year means financial year 20 we have also created a separate export vertical. Mr Sajid has been inducted as the head of exports last year. I could not put it in the bourses because I want him to, you know, actually do a little more than what we have been doing normally.

Jai Arora: Okay.

Devinder Khurana: He has opened up [inaudible 00:29:41] in Sudan that is a basic entry into Africa. He has also put it into Myanmar that is a basic entry into South East Asia and of course we are also trying to go through otherwise. Basically, Philippines was something which we had expected to go through almost about three years back. All our large-scale trials everything was solved, resolved, everything was right and then it got stuck at the top level of the government basically because of international pressures coming from outside. The market knows from where. So, Philippines is still ready, but I don't have a key to open.

Jai Arora: Okay.

Devinder Khurana: We are fighting our battle because Philippines our products are going to beautifully well, it is the best. That is why the resistance from other people. Now Sudan, Myanmar, Azerbaijan or may be other countries subsequently. The large-scale trials to be done in any of these nations is around two to three years depending upon the product and the yield or the performance of the product. Sudan, this year we are on the second year. Azerbaijan, we have started. So, what happens to export is until the government sees that these products basically because they contain BT, they are performing well and they are going to actually add to the revenue of the farming community. There is always an issue of permissions.

Jai Arora: Right.

Devinder Khurana: We are hoping that next year we should go commercial in Sudan, then may be Myanmar followed by Azerbaijan. In the meantime, we are also exploring other countries wherein we can go ahead and do this. When I give you my performances, my CAGR, we normally do not take into account an exponential growth which might be possible in exports. If that happens the compounding growth will go up.

Jai Arora: Got it. Got it. Thank you, that you for that.

Devinder Khurana: Welcome.

Jai Arora: For the clarification, yes, more than happy. Thank you, sir.

Pavithra: Thank you sir. Next, we have follow-up question from Rohit Nagraj from Sunidhi Securities. Please go ahead.

Rohit Nagraj: Yeah, thanks for the follow up. Sir, we understand that our vegetable segment and Win Chi Win has higher margins. So, usually how does the pricing strategy works here and is there any risk because competitors come in the same categories on the margins because may be we will have to align the prices along with the competitors prices, so how the pricing strategy works and is there any risk on the high margin business?

Devinder Khurana: Mr Dhande is going to give you the answer.

Madhav Dhande: See, margins in vegetables quite varies. Tomato getting sold at thirty thousand rupees a kg also and tomato seed getting sold in one lakh rupees a kg also depends on the demand supply that is acceptance. Second thing, margin does not hamper the business because competition is for the product performance, not for the value of the seed in vegetable because the outturn of seed or the output of the yield to the farmer is best as a cash crop and that's why farmers are ready to invest on the better seed any amount and that's why this lot of significant difference is there. That is not the case with the feed crops, that is vegetable that is found very much, so if we have driver kind of a products, very good products popular then company should aim for, we are aiming for the exponential growth in that particular product to bring us to a good margin and create the good presence. So, as far as nutrition is concerned, we are having the product which is unique of its kind that is not available in India to other competitors, that's why our margins are very good, but there is a big competition. Suppose the same kind of a product enter into the market, no doubt we shall be getting the good margins being we are pioneering, but there are chances of the competition.

Rohit Nagraj: Alright sir, that was a good explanation and thanks for that and best of luck.

Madhav Dhande: Thank you.

Pavithra: Thank you sir. We have next question from Sanjay Dam from Old Bridge Capital. Please go ahead.

Sanjay Dam: Khurana ji, thanks for taking my question.

Devinder Khurana: Welcome.

Sanjay Dam: So, when I look at your cotton aspiration, you know, some time back, may be 6-12 months back, you know, we were kind of hoping to kind of reach 4.5 million packets by FY23 end and in this presentation I see that you have given out and you have spoken also on quite a few headwinds that are there from illegal BT and also from regulation point of view and you also expected, you have given a three-year outlook of, you know, about 20% plus kind of a growth, so that 4.5 million packets that you had aspired for in FY 23 would that now be lowered by the end of FY23 or would it be 3 million packets or something like that?

Devinder Khurana: Yes, the reasons have been made a little more clearer. The reason is in case the export goes through then we are still in the game as far as cotton is concerned adding to my overall growth, but because cotton is not performing the way it was envisaged to perform there is a need immediately to make the other products also equally stronger. Please understand what is happening is last year all those people who have analysis, they would have found that my nine months' growth was only 11%. There is the conception. I will not use the word misconception. There is a conception that in seed industry first quarter is the only quarter. I am just trying to tell everybody that gentlemen, this is not the case. Not in a diversified portfolio company. We have always maintained 65-35 in S1-S2, we are trying to improve upon that also. If the cotton will go down a little we cannot be focusing on everything all the time, like putting moneys in vegetable as well as cotton, as well as in the nutrient supplements, also promoting bajra, maize and all that, so as a strategy we are trying to keep cotton growing at the same pace irrespective of the fact whether support come from outside or not. If it comes from outside, we will definitely reach the dream figures. That's it Mr Sanjay.

Sanjay Dam: Thanks, sir. Could you speak a little bit about the future of Win Chi Win.

Devinder Khurana: Win Chi Win is a wonder product; we are expecting it to grow exponentially at around 30-35% per annum. This year we have target of around 70-75 thousand liters, last year was around 40-45 something and if it happens this year, next year we will cross one lakh. Now the product comes with an excellent margin of around 70 plus, which is already a market figure. So, it would go through, it should support.

Sanjay Dam: And out of four segments that you spoke about sir, the four focus areas of yours bajra, maize, mustard and wheat, which of these four you think you are, you know, placed the strongest at this juncture to push growth forward.

Devinder Khurana: Yeah, let Mr Dhande take that. His area is these crops.

Madhav Dhande: In this Sanjay I think bajra and mustard.

Sanjay Dam: Okay.

Madhav Dhande: We are the strongest. Our Goldie, then Rajshree, then recently we have launched Pari 313 in mustard, so it is going far ahead of the competition and we have a good book, margin is also very very good. Bajra, of course it is a unique kind of a bajra we have introduced that is Bajra 27, then short duration...

Sanjay Dam: Which was that bajra?

Madhav Dhande: Bajra super 27, super 27.

Sanjay Dam: Okay, sir.

Madhav Dhande: Earlier bajra is treated, as in Rajasthan it was treated as a food grain crop. With the introduction on super 27 now it is coming up as a commercial crop because grain yield is very good, grain quality is very good, but equal amount of fodder is also

there. Suppose in grains he is getting almost 25 thousand rupees an acre, in fodder he is getting 30-35 thousand rupees out of that fodder. So, these are certain unique products and we are emphasizing on those products. We are keeping up the good hopes. Wheat, of course, volume business. Margins remain little less and [inaudible 00:39:15] rate is very high, but for the judicious use of resources this business is very good.

Sanjay Dam: Sure, sure, Sir and just a housekeeping question. What, how many packets did we end FY20 with in cotton sir?

Devinder Khurana: FY20 was around almost around 11. Last year?

Sanjay Dam: Yes, sir FY20.

Devinder Khurana: Last year 1166.

Sanjay Dam: Okay, okay. Thanks, and FY 21 we expect 20% plus kind of a growth, you said, is it?

Devinder Khurana: Yeah, it should reach around 13, let's hope that. You will see sales return is still moving in. It would have gone away, should have gone, but the times are bad times, you cannot help that.

Sanjay Dam: Sure sir. Wish you all the best sir.

Devinder Khurana: Thank you.

Pavithra: Yes sir. Ladies and gentlemen, if you have a question please press star and one on your telephone keypad. We have next question from Karthikeyan VK from Suyash Advisors. Please go ahead.

Karthikeyan VK: Yeah, good morning. Dhande sir, can you talk a bit about the acreages for cotton in Telangana and within different parts of Maharashtra sir?

Madhav Dhande: Yes, normally Maharashtra cultivates cotton on 30 lakh hectores plus.

Karthikeyan VK: Yes, sir.

Madhav Dhande: This year, there is a drop in Maharashtra to the extent of about 10%. So far as Andhra is concerned always it remains 26-27 lakh hector, it is static, not grown. Cotton is only grown in north. Even Madhya Pradesh there is a drop and because of the chili. In Gujarat, there is a tremendous drop because of the exponential growth in acreage in groundnut.

Karthikeyan VK: Yes.

Madhav Dhande: Overall acreages all India level we can, we are presuming that it will be static as 120 lakh hector.

Karthikeyan VK: अच्छा, sir Telangana has not seen an increase because of the Kaleshwaram project?

Madhav Dhande: Telangana, of course the initial figures are where that it is static because what happened, it is static because of this last year cotton farmers they are holding because of the drop in prices in the month of March or April which they were expecting to grow further and because of the Corona impact, at this moment also the cotton stock lying with the farmer is to the tune of 10 to 15% of the annual produce. So, these...

Karthikeyan VK: Oh, okay.

Madhav Dhande: So, these farmers are disappointed and if there is a crop shift from cotton to..

Karthikeyan VK: Yes.

Madhav Dhande: That is. Final figure, final figures will come by 8th August.

Karthikeyan VK: Right and across the board sir, are you seeing any shift in sowing meaning has there been a delay? Monsoon तो टाइम पे आ गया है, but are you seeing

Madhav Dhande: Monsoon टाइम पे आया, मानसून के कारन कॉटन जो घटना था वो थोड़ा काम घटा otherwise और ज्यादा घटता.

Karthikeyan VK: हाँ, ये सेकंड क्वार्टर में कोई स्पिल ओवर नहीं हुआ है सर? सेकंड क्वार्टर तक का कोई स्पिल ओवर नहीं हुआ है?

Madhav Dhande: नहीं हुआ है, क्योंकि एपी(Andhra Pradesh) का पूरा सोइंग हो गया है. AP has rained very well; Karnataka has rained very well. अभी कॉटन में कोई स्पिल ओवर नहीं है. जो भी कॉटन रहेगा अभी तमिलनाडु(Tamin Nadu) कॉटन is balanced.

Karthikeyan VK: Right.

Madhav Dhande: Yes.

Karthikeyan VK: Okay, okay. Thank you so much sir, thank you so much.

Madhav Dhande: Thank you Karthikeyan. Thank you.

Pavithra: Thank you, sir. Ladies and gentlemen, if you have a question please press star and one on your telephone keypad. We have next question from Shashank Mahajan, an individual investor. Please go-ahead sir.

Shashank Mahajan: Yeah, thank you for the opportunity. So, I wanted to ask the question related to Win Chi Win. That what would be the impact due to the India China tensions, can you give me some color on it please?

Devinder Khurana: The answer is slightly vague at this juncture for the simple reason because we do not know how the overall policies of the Chinese government viz a viz Indian government will settle down.

Shashank Mahajan: Okay.

Devinder Khurana: We feel that China cannot do it with the world and world cannot do away the China. Aim is to keep a tight leash on each other so that things work the way they are supposed to work. Our container has still come in. We are also a patriotic company, but as long as we find that the effect of Win Chi Win on the farming community is better than what is happening on the border, we can handle that, but in case there is a total ban down the line which currently we do not envisage, at that particular juncture we are also in the process of testing similar products which are in pipeline at our end and if it happens may be an year down the line we will be able to take on that also and our sales will not suffer.

Shashank Mahajan: Okay. Thank you for that and another thing about the seasonality of the Win Chi Win, can you, is it a 12-month basically a....

Devinder Khurana: I think let Mr Dhande give you feedback on that.

Madhav Dhande: Win Chi Win is round the year.

Shashank Mahajan: Okay.

Madhav Dhande: It is not crop specific, it is not specific, it is a crop stabilizer so it will go round the year on any crop including mango and forest crop anything, tremendous scope is there.

Shashank Mahajan: Okay. Thank you for it and as you mentioned about that you are testing the similar product, so is it like a fertilizer product are you testing, can you?

Madhav Dhande: ना ना, similar kind of a product, हॅँ it is auxin based, it is auxin-based bio stimulant based product and we are incorporating some polysaccharide and those developments are going on, trialing is going on through other chemical companies.

Shashank Mahajan: Okay that's it.

Madhav Dhande: We are getting equipped, but this is not the nutrient based or fertilizer based, this will be mostly the bio-stimulant. It will contain lot of auxin hormone, arginine and so many things.

Shashank Mahajan: Okay thank you, thank you for it. That's it from my end.

Pavithra: Thank you sir. Next, we have follow-up question from Mr Sanjay Dam from Old Bridge Capital. Please go ahead.

Sanjay Dam: Thanks again for taking my question sir. Sir, the returns this year are they significant? Could you give us some sense of how it is viz a viz the last couple of years?

Devinder Khurana: Last year I had presumed cotton at around 11 to 12%, it maintained like that. This year I have taken a presumption on 20-22% because I know that the cotton is coming back to that extent and when I give you the figures, we had placed around 16 plus and we have been able to knock around 12 plus, so I am contemplating around 22% of sales return. If it reduces, fine. It may not increase that's my thought process. Other crops, bajra, maize and all that field crops have done extremely well. There are hardly any returns. Paddy is regular which always comes like every year 15-20% which is fine with us. Cotton has given us a little low down for which we are going to compensate that with, because if cotton came back then vegetable and plant in the first year it has given me 8 Cr in this quarter viz a viz 4 Cr in the first quarter last year, so vegetable and supplement these are being pushed and accepted into the market. We maintain them to compensate any loss in cotton wherever.

Sanjay Dam: Perfect sir, that's very helpful sir. Thank you.

Pavithra: Thank you sir. That would be the last question for the day. Now I handover the floor to Mr Devinder Khurana for closing comments. Over to you sir.

Devinder Khurana: Now as I would say let me thank you once again for showing interest in our company, for keeping faith in our company and understanding why there is a need for a strategic shift. My request please do not brand us as a cotton specific company. We are a multiproduct diversified pan product, pan India company wherein we have product portfolios not only in cotton and paddy, we also have fantastic products in vegetables. We are also venturing into export market and we are trying to maintain our growth throughout the year keeping all the three seasons in mind apart from coming only in the first quarter and then brooding over it. At the last I would say thank you, thank you very much. Stay safe, stay invested. Thank you very much.

Pavithra: Thank you sir. Ladies and gentlemen, this concludes your conference for today, thank you for your participation and for using Door Sabha conference call service. You may disconnect your lines now. Thank you and have a pleasant day.

Note: 1. This document has been edited to improve readability.
2. Blanks in this transcript represent inaudible or incomprehensible words.