



NATH SEEDS®

**Nath Bio-Genes (I) Ltd.**

(CIN L01110MH1993PLC072842)

19<sup>th</sup> November 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 09<sup>th</sup> November, 2020 post declaration of its unaudited financial results for the quarter and half year ended 30<sup>th</sup> September 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  
Chief Financial Officer

## Transcript

### Conference Call of Nath Bio-Genes (India) Limited

**Event Date / Time** : 9<sup>th</sup> November 2020, 03:00 PM IST

**Event Duration** : 50 min 44 sec

#### *Presentation Session*

---

**Moderator:** Good evening ladies and gentlemen. I am Pavithra, moderator for the conference call. Welcome to Nath Bio-Genes Limited, Q2 FY21 earnings conference call hosted by Go India Advisors. At this moment, all participants are in the listen-only mode and later we will conduct a question and answer session. At that time if you have a question, please press \* and 1 on your telephone keypad. Please note this conference is recorded. I would now like to handover the floor to Ms. Sheetal Khanduja of Go India Advisors. Thank you and over to you ma'am.

**Sheetal Khanduja:** Thank you Pavithra. Good afternoon everyone and welcome to the Nath Bio-Genes earnings call to discuss the H1 FY21 results. From the management team we have with us Mr. Satish Kagliwal, Managing Director and Mr. Devinder Khurana, CFO. We must remind you that the discussion on today's call may include certain forward looking statements and must be therefore viewed in conjunction with the risks that the company faces. May I now request Mr. Kagliwal to take us through the company's business outlook? Thank you and over to you, sir.

**Satish Kagliwal:** Thank you Sheetal. Good afternoon everyone and thank you all for joining us on this call today. I would like to take this opportunity to wish you all and your family a very Happy Diwali in advance. We have just finished a very successful H1 and are gearing up well for the second part of this year. As you all know, kharif season started on a very challenging note. COVID related lockdowns and restrictions were imposed just at the beginning of the season. However, with the help of our hard working and dedicated teams we were able to overcome most of these challenges and the results of the same can be seen in our strong H1 performance.

As mentioned in Q1, we are focusing on de-risking and diversifying our portfolio to ensure sustainable growth and cash upon the seasonality of the seed business. Our efforts in this direction are working well. We have further strengthened our team in the field, especially field crop vertical and have had Mr. Harish Pandey, a seasoned marketing professional for managing the channel, sales activity of this segment. Our diversification efforts are also evident from the strong growth seen in our plant nutrient segment, where sales have doubled. We are confident that Nath 4.0 is emerging as a leading seed player with a highly diversified and resilient business model.

Before I close, I would like to briefly touch upon H2 outlook. Our team on the ground has informed us that rabi season is kicking off well. Though there have been delays on account of incessant rains in October, but on the positive side, water situation is good and sowing for some crops has picked up well. We will be able to give you specific updates in the next quarter. Before I hand over to Mr. Khurana, I would like to reiterate

that we are all working towards delivering strong growth over the next two-three years and creating superior shareholder value. We have strengthened our teams further and they are working very hard to take our company to the next level. With this, I would like to hand over to Mr. Khurana.

**Devinder Khurana:** Thank you Mr. Kagliwal. Good afternoon everyone and thank you all for joining us on this call. We at Nath Bio-Genes hope you guys are safely enjoying the festive season. Mr. Madhav Dhande, our Business Lead was supposed to join us for the conference. But, he has run fever after his last visit to Lucknow on Saturday. And the doctor has advised him rest. So, he will not be here today. Fortunately, we have Dr. Venkatesh Kulkarni, our Vice President – Research with us and he would be able to guide us accordingly.

I would now like to update you about H1 FY21 performance. I hope you all would have seen our results and the earning presentation, which has been uploaded on the exchanges and our website. Despite COVID led disruptions, we have been able to deliver a strong financial performance. Our top line grew by 16% and we maintained a strong gross margin of around 53%-54%. With a profitability of 44 crores, we have already achieved 85% of our FY20 PAT, which was 51.

Before I move to operating performance, I would like to briefly touch upon certain items. We have been diligently working towards reducing our working capital days. And I am happy to report that in the first half, we have been able to successfully reduce the receivable days by another around thirty days. This is because our brand has now gained significant traction and credibility in the market and we can afford to demand better trade terms. You would also note that inventory have increased slightly in the first half. The increase is primarily in cotton on account of two reasons. When the COVID lockdown was announced, we were at the beginning of kharif season and as a result we were unable to place some part of our cotton inventory in the market, due to non-availability of transportation. This was further exaggerated by the cotton sales return of 20% as compared to 11% last year. However, we feel the inventory situation is still well under control. We have already rationalized the production for kharif-22 and we do not anticipate any inventory losses, as cotton has a good shelf life.

Our strong financial performance was obviously driven by an equally good operating performance. In spite of the placement and return issue for cotton, the cotton business has still registered a growth of around 18% to 20%. You are all aware of the cotton industry headwinds and despite these challenging issues; we were able to register a decent growth. The sales return has been in line with the expectations. Paddy has also volumetrically grown by about 13%, again in line with expectations. The biggest growth came from the plant nutrient segment, which doubled its sale and grew 113% as compared to last year H1. We are very confident about the strong prospects of this segment and we would also be adding new products to this segment over a period of time. In other field crops, bajra has grown over 40% and maize has grown over 31%. Sowing for the rabi season has started, after a little delay, due to incessant rains in October. There is ample water availability after a good monsoon. The nation has kicked off rabi season on a strong note.

Coming to the FY21 outlook, we would still like to maintain our guidance of around 20% revenue growth and 50% plus gross margins. As I mentioned earlier during my opening

remark, we have already achieved 87% of last year's profit in H1 of this year. With this, I would now like to open the floor for questions. Thank you.

### **Question and Answer Session**

---

**Moderator:** Thank you, sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press \* and 1 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 \* and 1 again.

I repeat, ladies and gentlemen, if you have a question, please press \* and 1 on your telephone keypad.

Dear participants, please press \* and 1 once for any questions to be asked and if pressed twice, the questions will be withdrawn from the queue.

We have the first question from Mr. Anil Sharma from AB Capital. Please go ahead.

**Anil Sharma:** Hi, good afternoon and thanks for the opportunity. Just a few queries from my side sir. First, I wanted to understand how has the rabi season kicked off?

**Satish Kagliwal:** Rabi season has kicked off very well, very, very well. Although there are delays in planting of things like wheat and mustard, but it has picked up very well now. That is essentially because of good ground water situation, because of good rains across the country.

**Anil Sharma:** And sir, what about the illegal cotton situation prevailing? Is that still a problem and how do you foresee your cotton outlook for the next two-three years?

**Satish Kagliwal:** Yeah, I will have to address this question little in a broader way. Illegal cotton issue will remain as such; but interestingly this year, whatever was sold as illegal has not performed well. There are two different kinds of illegal seeds. Are you able to hear me?

**Anil Sharma:** Yeah, yes sir.

**Satish Kagliwal:** So, there are two kinds of illegal seeds, one was RRF Ready that is herbicide-tolerant gene having, gene being in cotton seed and the second was pink bollworm, so called pink bollworm resistant cotton seeds. So, pink bollworm resistant cotton seeds have not performed well at all. Number one, because there is not much of pink bollworm attack in later stage of the crop. And secondly, these seeds which were supplied suffered heavily because of other things like certain pest, heavy pest attack. So, going forward I think this phenomenon should be reducing, because people who have planted this illegal seeds will not be going for it again and because they have not had positive experience with this. So, this is about the illegal seeds.

**Anil Sharma:** Okay. And sir, what is the next two to three years outlook in cotton in terms of the number of packets that are expected to be sold?

**Satish Kagliwal:** I will tell you about next year first, because next two-three years projection will be difficult. But, let me tell you that we have been having more or less 5% plus or 5% more cotton area, under cotton seed. Next year will be definitely positive, essentially because this year other crops, like soya bean and all have suffered much bigger, much higher losses, because of incessant rains. So, next year cotton area which will be much better, much bigger. And even now the prices are very good for cotton. If this phenomenon of good prices continues with exports picking up, there will definitely be..... One moment please.

**Devinder Khurana:** Anil, in the last concall that we had, I had made it categorically clear that the cotton we expect to grow at 20%-25% easily and that is not taking into account exports, if they take place, as and when they take place, because of the Government regulations. So, we have clocked around 13 plus this year and next year we are targeting for around 20. Let us see how and where we reach.

**Anil Sharma:** Okay sir, noted. And what about paddy? Any new product planned out there?

**Satish Kagliwal:** Yeah, Dr. Kulkarni will talk about new paddy products.

**Dr. Venkatesh Kulkarni:** Very good afternoon to everybody. I would like to announce that we have a brand called Dhadak and Dhadak Gold. Our company had a gap of hybrid between 120 to 125 days maturity. And we have fulfilled it. Last season we gave around thousand demonstrations. A very huge demand has come. Now, I think in the history of rice business, no one has taken up after demonstration, 100 acres of production. Now, the company is very jubilant. And our sales people normally used to say that, okay, this hybrid is 19, 20, but now what we are getting from the whole market is that, sir 21, 22. So, then we are very much jubilant on our two products called Dhadak, Dhadak Gold. Another is that we have had the poha segment and in that we were having Nath Poha. And we are releasing one very high yielding hybrid in that Poha, Nath Poha. That is also, the first year production itself is more than 30 acres, that means to say that there is a huge market traction. Our hybrids have developed with the demonstration. And also this season, I am very happy to say that we have conducted record number of demonstrations, which is 4500. As rice is going to be one of the important crop in the coming days, lot of investment in rice research as well as rice demonstration and product demonstration and product development and we are also trying to hire a product manager for rice, because our ability to deliver in rice have grown up very well. In the coming days, you will find a very huge growth in rice, because of the kind of materials our breeders have developed and the kind of product development we have taken up on the ground.

**Anil Sharma:** Thank you sir. I will get back in the queue for further questions sir. Thank you.

**Moderator:** Thank you sir. Ladies and gentlemen, if you have a question, please press \* and 1 on your telephone keypad.

We have the next question from Ms. Alaya Patel from Value Investments. Please go ahead.

**Alaya Patel:** Good afternoon sir. Thank you for the opportunity. So, I just wanted to know, can you give me an update on the export markets which you were tapping.

**Dr. Venkatesh Kulkarni:** I would like to answer this question on behalf of the Managing Director, Shri Satish Kagliwal-ji. Export market is opening up amazingly well. One, we have cotton hybrid and trade release in Sudan. We are hoping that this year we are going to get released it. It will open up very large market for our own BT Cotton seeds of fusion gene there. That will be one of the, what we call, cherry on the cake, in our business. In Sudan, as you all know that recently, Sudan has also been taken out of terrorist country from US. There, we were already there, before this only that means to say we have very huge opportunities to go there now. In fact, in Sudan, because of the situation, we have placed two people, one a Sudani guy and another an Indian guy there, so that our business will kick start much better than what we expected. Our hybrid tomato and hybrid okra are also performing very well in Sudan. That gives us a great respite that our all products like cotton, sorghum, tomato, okra will get back. The second country that I would like to emphasize is that, we are going to be, with the same fusion gene into Philippines. We are almost trying to get an import permit this year, because of the Corona, we did not visit there and we are going to start there also, this business. Other parts is that we have had now is Myanmar and surprisingly we got some deals in Azerbaijan also. These are some of the countries wherein we are going to get a good footprint. In fact, one area that we had was Pakistan. We are still trying to connect it and make it happen much better, because lot of revenue from Pakistan was also there. And we hope that we can recover it one or the other way. The other point is that we are now having, we just finished a feasibility study in Uzbekistan and in that feasibility study we are hoping for a very huge kind of growth there also in the export market. We are going to hire a country representative and also the Government of Uzbekistan has given us a land, 20 hectares land near Samarkand. There we are going to build our facility and expand our business. We are all likely to open the Nath Bio-Genes Uzbekistan company there also as a subsidiary, so that we operate in central Asian countries. So, this will give us more impetus. In fact, in addition to the other aspect, Nath Bio-Genes has focused on improving its market status in other countries and we are continuously evaluating our genetic material to develop business. And the initial success is amazing. And we are very happy about it. We have one person hired from Advanta, Ajit, who is heading it and who is driving it in an unimaginable manner. This is what I wanted to submit in front of you. Thank you. Thank you ma'am.

**Alaya Patel:** Okay. Sir, what about approvals of export to these countries? Like, we have been waiting for approvals to Philippines for the last few years, so can you highlight on that?

**Dr. Venkatesh Kulkarni:** Yes. In Philippines, cotton has not been a commercial crop of what we see in India. And cotton, Phil FIDA Cotton Board actually got interested in us and then in Phil FIDA, there were lot of changes happened in the Director level and lot of human resource changes happened. And recently the Agriculture Minister has also been changed. And in this process the delays have happened, in the sense the people who are giving, the Phil FIDA Director is the stop gap arrangement kind of thing. Now, because the Ministry is from earlier Director General of ICRISAT, we have requested the Minister to make arrangements for exports of it and Phil FIDA Director, who is going to assume in few days, we might get established. In fact, we would have started this year, have we had our travel arrangements there. But, unfortunately we missed it. So, this is

what the scenario has emerged. This is solely due to the instability in PhilFIDA, Philippine Fiber Development Board. Otherwise, we are ready to do a lot of things there.

**Devinder Khurana:** I would like to add something for the benefit of the attendees. For me, exports, although a very important part of our game plan, is it not affecting any of our projections or our sales that we domestically do? We want to add exports to our basket. Like Dr. Kulkarni said, it is like a cherry on the cake, my cake is still available. But, please understand, any country which allows foreign material to be produced or grown or sown or harvested, the norms are very, very stringent, they are very, very strict in India as across abroad countries; we have to go through all the Government parameters, do large scale trials and show that our product is not harmful to the environment there and yet, it has good productivity and it is going to be beneficial for the farming community, then the exports go through. Thank you.

**Alaya Patel:** Okay sir. Thank you. One last question related to exports. Can you tell us what volumes to expect?

**Devinder Khurana:** Madam, this question as of now is a little premature. Okay, let me put your mind at rest. Let me say that, once it starts, the growth will be exponential.

**Alaya Patel:** Okay, thank you sir. Sir, how much further will you be able to rationalize your working capital?

**Devinder Khurana:** Sorry, please come again?

**Alaya Patel:** How much further will you be able to rationalize your working capital?

**Devinder Khurana:** Working capital, okay. Now, let me address the working capital. Working capital cycle in seed industry is normally on the higher side, because we produce this year to sell next year. Inventory levels are high. We as a company have been determined to reduce the working capital cycle over a period of time. Every year we are improving by about 15, 20, 25, 30 days. This process will continue. Our debtors will come down to around 130. It was 141-142 last year. It may be even less than that. Inventory is under control. Positive cash flows were generated and we expect them to continue to generate them every year. So, working capital is our prime concern to reduce the number of days. How many? It is little difficult to predict at this juncture, but reduced, yes.

**Alaya Patel:** Okay. Thank you sir. That is all from my side. I will get back in the question queue.

**Moderator:** Thank you ma'am. Ladies and gentlemen, if you have a question, please press \* and 1 on your telephone keypad.

We have the next question from Mr. Anurag Patel from Roha Asset Management. Please go ahead.

**Anurag Patel:** Thank you for the opportunity. Sir, in terms of distribution network and the sales contribution, which are the traits that we are stronger in broadly?

**Devinder Khurana:** We have, please understand, we have always maintained that we are PAN India, PAN product company. So, when I say PAN product, we are into all kind of field crops like, paddy, cotton, bajra, jowar, makka, mustard, wheat. Then we are talking about vegetables and the supplements. So, when we are a PAN product company, certain products grow in certain States and they don't grow in other States. If cotton is more South and West, then bajra and all is North, North-East or North-West, then paddy is an Eastern sector. So, in all the States, where whatever crop is grown, we are present and we are present with a bang. My cotton is around 40%, which we are trying to reduce on my top line, by giving impetus to other field crops. Our paddy is like that. So, paddy goes into that UP and Patna and those areas, so that is where we sell paddy. Cotton goes to South, Maharashtra and Gujarat, we sell there. Bajra, makka and all, they go to Rajasthan and of course to Patna areas. So, I would not like to fix myself by saying that I am good in this State and I am not good in that State. We are a PAN India company. We are good in all the States.

**Anurag Patel: Anurag Patel:** Understood sir. And in terms of distribution reach, how many distributors currently you have and any target we have set?

**Devinder Khurana:** No, it is like this, we have three verticals. One is the field crop vertical, which includes cotton. Second is the vegetable vertical and third is the nutrient supplement vertical. All these three verticals now have different teams, different leads, different facilities and different paraphernalia. And they have the individual targets. So, as a result, they have their different, identified the different line of, distributors also we don't go to a dealer level, distributors also. Today, I am holding around 3500 to around 4000 distributors. We do not plan to increase it any further. We may prune depending upon the business potential.

**Anurag Patel:** Okay, that is all from my side. Thank you very much.

**Moderator:** Thank you sir. Ladies and gentlemen, if you have a question, please press \* and 1 on your telephone keypad.

We have the next question from Mr. Shashank Mahajan, an Individual Investor. Please go ahead.

**Shashank Mahajan:** Thank you for the opportunity. I wanted to ask you about the Win-Chi-Win sales which we have done in H1 this year? Last year I think we had done about 14500 liters and related to that are we planning any new products in this particular segment, as you have mentioned in the opening remarks? And is there any threat from China still, can you please tell me about it?

**Devinder Khurana:** So, would you like to take it up?

**Shashank Mahajan:** You can talk about numbers and I will talk about the product?

**Devinder Khurana:** Okay. So, we will divide your question into two things. Now, you would have understood by now that this is a rejuvenating product, which is very good for plants; it is like we call it a wonder product. It has all the good ingredient that it needs for the plant to grow. And by having created a separate vertical for Win-Chi-Win,



we are trying to give the company the required impetus that is required to ensure that this product is recognized, given the focused selling potential and then it sells. We are contemplating taking a target of around 1 lakh liters this year, out of that 31K has already been clocked. We were contemplating 70 and let us see how far it goes. This is as far as the numbers are concerned. If we are able to clock 70000 liters, then maybe next year we can think about 1 plus. As regards to China is concerned, the things have come to a standstill. And as of now we do not feel any threat coming in from China, because we have ordered containers and the containers are coming and everything is under control. But, to look into the future of the nutrient supplement segment market, which itself is very huge, the company is definitely contemplating, for that I would request Mr. Kagliwal to enlighten you on that.

**Satish Kagliwal:** Yeah. This market of plant nutrients supplements is growing very much in India. The farmers are getting aware that besides normal fertilizers, they need to add very interesting growth promoters and things of that kind. So, we are working now on developing a unique product for soil treatment. This current product Win-Chi-Win is a full year fertilizer. So, we are now working on developing a product, which should be possible to be launched soon, that will be a soil supplement. So, this will be like soil dressing. So, they will complement each other. They will go together to the farmer. So, that development work is going on.

**Shashank Mahajan:** And about this soil supplement, any timeline, can you give, like when you are planning?

**Satish Kagliwal:** It is a work in process, so I wouldn't like to comment today. But, maybe in the next six months.

**Devinder Khurana:** I would like to add a line here. Win-Chi-Win, our current PNS, itself has not been tapped as an iota of its potential. The moment we put something else on the line, we should be ready here, I am not saying that. I will be competing with myself, but we are on it, don't worry.

**Shashank Mahajan:** Right. And you have mentioned that we have done about 30000 to 31000 liters this year and in the first half you are expecting about 70000 in H2, compared to about....?

**Devinder Khurana:** No, no, not 70000 in H2, 70000 overall put together, if it exceeds.....

**Shashank Mahajan:** Last year I think we have done about 51000 liters, whole year?

**Devinder Khurana:** Yeah, 70000-75000 plus, I think we will exceed, but let the people work on it.

**Shashank Mahajan:** Okay, thank you. I have two more questions. One is related to vegetable, like what is the condition in H1 and what are the plans for H2?

**Devinder Khurana:** Vegetable in H1 there is hardly be any, it doesn't sell in the kharif season, because the farmers are always planting field crops, it has always been a H2 crop, one. Secondly, like I said, we have also created a vertical and I advised the

community last time that Mr. Ram Kumar Pandey has moved in. We had a discussion when he was there and then he is well established. And we are hoping that the target that we had given in the last guidance will be met.

**Shashank Mahajan:** Okay, thank you. Next question is related to our hybrid rice. So, I think compared to overall rice, the hybrid rice is just about 6% of the total cultivation. So, what are the opportunities in this segment? And I think the other companies if you check the growth, they are like, even established companies are growing at much faster rate compared to our company. So, what are the plans for, especially the hybrid rice segment?

**Satish Kagliwal:** Introduction of unique (not clear) products is the only key to faster growth. And Dr. Kulkarni, who is heading this research has already advised you about our fast track research which is going on in the development of hybrid rice. We already are in the process of launching three products next season and that will definitely accelerate our presence in hybrid paddy market.

**Shashank Mahajan:** Okay. And my last question is about the cotton. Can you give me the volumes specific to the products like, Daksh, Sanket, like how these new products are going and the best product about the NBC-11? So, can you just give specific volumes on these products and a color on the Daksh and Sanket specifically?

**Devinder Khurana:** Product wise, volumes was there, a little difficult, rather they are quite difficult to predict. We always can take on cotton as a whole. It is very difficult to predict which volume will increase and which product like that.

**Shashank Mahajan:** I was asking about the current volumes of H1 2021?

**Devinder Khurana:** 13.3, I already said that.

**Shashank Mahajan:** Break up I was asking you for the current volumes.

**Devinder Khurana:** Break up; I don't have it ready now. I don't have it ready. I can always let you know. You can give me a tinkle.

**Satish Kagliwal:** Mr. Mahajan, where did you hear about Sanket?

**Shashank Mahajan:** I have done some ground survey related to your products and all your products in Maharashtra and some of it in Gujarat also. So, I got a very good review about your products. And ICR trials whatever they have done from the last two-three years, the results are also quite good. But, only concern is related to the penetration and our marketing, so I was a bit concerned about that. So, can you give me some color on the Daksh and Sanket product specifically?

**Satish Kagliwal:** Actually, we are working very hard. We have been present in the, I would say all potential districts of Maharashtra, Gujarat, practically everywhere. And as you must have seen that we are having been conducting field days and field visits wherever possible. And there are many opportunities for us to showcase our product, which is happening now, which actually began right from August to showcase our products and we are still continuing. And we will continue post Diwali also. So, we

are finding fantastic response. You are right, our efforts are to penetrate much deeper and quicker, that will happen. That will happen.

**Shashank Mahajan:** Okay sir. Thank you very much. That is it from my side. Thank you.

**Moderator:** Thank you sir. Ladies and gentlemen, if you have a question, please press \* and 1 on your telephone keypad.

We have the next question from Mr. Sanjay Dam from Old bridge Capital. Please go ahead.

**Sanjay Dam:** Thanks gentlemen for taking my question. I had a couple of them actually. One is that we had good growth in cotton and you spoke about a very robust paddy portfolio. Now, in paddy we have grown about 12% and in cotton we have grown 20%. So, what is the outlook for paddy, which is there and what is your sense as to what this 45-31 mix will become in couple of year's time?

**Devinder Khurana:** We are aiming to make it, it is like in the presentation, like last time we were discussing after the Q1, we said that we want to give more impetus also, not taking away impetus from cotton, but I said that I don't want to be called a cotton specific company. So, keeping that in mind, the cotton will continue to grow at 20%-25%. We will try for more, if exports come through, then definitely it will be much more. But, today the cotton which is around 40% and paddy this year is around 60-65 % comes from these two crops, we are trying to bring it down to around 50-55% . That will give impetus to other field crops and vegetables and the nutrient supplements.

**Dr. Venkatesh Kulkarni:** Khurana sir, I would just like to add something. Thank you very much for asking this question, because I would like to tell you that cotton becomes our baseline, big baseline and we are focusing on paddy, because our seed industry is now going to grow about 9 billion dollars in the next six-seven years. And in that 9 billion dollars, where that growth will come? Imagine a situation where China has won 130 million hectares, which is already 9 billion dollars seed industry. We are 145 million to 150 million hectares, we are hovering around 4 billion dollars. It means the next crop which is going to add value in our seed industry is rice, because 45 million hectares is very much untapped, lot of research varieties are being marketed last five years and hybrid rice variety materials are coming up now very well. That means to say, the next growth will happen along with cotton in rice. So, to reach to that extent, to reach that level of industry market, the growth will come from rice, wheat, these kinds of crops. So, we are very happy that we are both into it in a very aggressive manner.

**Sanjay Dam:** Gentlemen, I don't have any doubts about your ability to reach there. I am just questioning the fact that given what you spoke about your paddy portfolio, and the fact that the market itself is growing very, very rapidly, this can become a pretty large part of the portfolio, which is why the question was that in couple of years' time, how big do you see paddy becoming?

**Devinder Khurana:** We have been maintaining a very regular growth on paddy in all our guidance and our lines, because we have also maintained that paddy research is on, Dr. Kumar has moved in and Dr. Kulkarni joined in. Now, if they give me a product, please understand my point, they are very jubilant about it and are very happy about it.

If they give us a product which actually speaks, sells the wonder that we speak of, then by the next guidance I will change the paddy guidelines, otherwise I am maintaining a paddy guidance of 15%, other field crops 15% to 20% and my cotton to around 20% to 25%. But, we are jubilant on paddy. Even if Dr. Kulkarni said, this product is fantastic, thank you very much sir. If it is fantastic, we will sell fantastically and I will change every guideline and make paddy as 50% of my portfolio, why not?

**Sanjay Dam:** Got it. The other question which I had was that, your first half gross margin was about 54%. So, why are you giving a yearly guidance, gross margin guidance of 50%?

**Devinder Khurana:** What happens is, wheat gives you only around 20%-25%, mustard gives you around 30%, so when you go to annualized plus the sales return, plus the stock, because I don't carry sales return, I throw them out and sell them as grains, it takes through the margin, so normally our margins comes to around 50% to 52%, it remains in that circle. It may improve, if the vegetable portfolio improves. But, if the cotton portfolio improves, then invariably the margin will again come down to 50%-51% only.

**Sanjay Dam:** It is a factor of product mix.

**Devinder Khurana:** It is always a factor of product mix.

**Sanjay Dam:** And this sales return of 20% that you spoke about, that is not likely to increase any further, right?

**Devinder Khurana:** No, we already booked.

**Sanjay Dam:** It is already booked, right?

**Devinder Khurana:** We already booked, that is one. There is no sales return of kharif coming back now. We always book all our sales return. We always sell all our dead stocks, we don't carry them forward.

**Sanjay Dam:** Right. So, 11% coming to 20%, that was a bit of a surprise, was it?

**Devinder Khurana:** No, it was not a bit of a surprise. In the Q1 end only I had said that it will be around, I said 22% rather. It came down to 20% and I am very happy about it.

**Sanjay Dam:** Okay. All the best gentlemen.

**Devinder Khurana:** Thank you.

**Moderator:** Thank you sir. Ladies and gentlemen, if you have a question, please press \* and 1 on your telephone keypad.

We have the next question from Mr. Ragav Kabra from Excel Investments. Please go ahead.

**Ragav Kabra:** Thank you for the opportunity sir. I have couple of questions to ask. My first question pertains to vegetable division. What are your growth opportunities there and how competition looks there?

**Satish Kagliwal:** In vegetable segment, our growth plans are fantastic. And for that reason only, December last year we began with an exclusive vertical for vegetable segment. And competition of course is very tough, we have practically, all the brands available in the world are marketed in India, be it Syngenta, be it our local multinational Advanta or for that matter even Bayer. So, all the brands are there who are competing. But, our strength lies in developing products which are customized to the Indian requirements and we will take our own good share as we go forward, because our research is now coming of age and we are able to share now fantastic products, tomatoes, okras and chilies and other gourds and our pipeline is very strong.

**Ragav Kabra:** Okay. And my second question pertains to agri reforms, how this has impacted demand for seeds from organized sector?

**Satish Kagliwal:** I couldn't get your first word, what was that, which reforms?

**Ragav Kabra:** Second question is actually related to agri reforms and how it has impacted demand for seeds from organized sector?

**Satish Kagliwal:** The reforms are definitely going to be very, very positive on farmers getting better price; access to the entire world market. And as farmers get more money, they use good seeds. In future, we are very positive for the seed industry also. But, the reforms have just been announced and they are yet to be implemented. But, we are very positive about these reforms, having positive impact on both the farmers and also seeds companies.

**Ragav Kabra:** Okay. That is all from my side. For further questions, I will get back in queue. Thank you.

**Satish Kagliwal:** Thank you.

**Moderator:** Thank you sir. Ladies and gentlemen, if you have a question, please press \* and 1 on your telephone keypad.

We have the next question from Mr. Rohit Nagaraj from Sunidhi Securities. Please go ahead.

**Rohit Nagaraj:** Thanks for the opportunity. And good afternoon sirs, hope all is well at your place and faster recovery to Dhande sir. My first question is, just now you talked about vegetables. So, just wanted your sense in terms of how the competition is placed and how are we taking them in terms of pricing. So, just a broader view, because everyone is talking about vegetables as the next growth driver for the seeds business. And so, all these competitors, are they targeting the same market, same products and with similar kind of pricing or there is some differential in it? Thank you.

**Satish Kagliwal:** No, the markets are same, the products are same, but the new phenomenon which is being tapped and which is giving more value to the seeds is

virus tolerance in different crops. So, whosoever will have better virus tolerance will get an edge and will get a mileage. Like I told you maybe last, last time that we have tomatoes now, having three different genes, which would mean that they have better tolerance to other products. Other companies will also follow, they also will come. But, then you have to combine the genetics and combine these genes of virus tolerance with the genes, you will have a good product and also have good tolerance to the diseases like, viruses. So, for different crops there are different viruses, which are being attacked now by the seed companies to give better value to the farmer, better productivity to the farmer. So, now we have fantastic product coming up. Dr. Kulkarni will say something more about this.

**Dr. Venkatesh Kulkarni:** Similarly, okra also there are two diseases and for both the diseases our hybrids are showing high level of tolerance. So, the okra portfolio will also have a better day in the coming days.

**Rohit Nagaraj:** Alright. Thank you, sir. Sir, second question is in terms of our staff cost. And so, in the last two-three years we have inducted quite a good number of people across different verticals. And as Khurana-ji also explained in terms of the three segmentation that is being done and each segment has been handled by different people with different targets, so for the next maybe two to three years, do we need any more employee strength to generate further marketing and sales or is it, now the peak is reached and probably for the next two-three years we don't expect any more induction on any accounts?

**Satish Kagliwal:** The point is we have rapidly grown in the last two-three years. I call this an investment in human resources. In the last two-three years we have had phenomenal growth. But, in the next two-three years the growth will be there. But, it may not be in the same departments, like product development will increase, product management will increase, maybe we develop certain different new geographies, where we may have to go, but it won't be much, it would be normal. I would say, normal 10%-20% more maybe required. We have reached the peak in most of the verticals. But, if we have a fantastic product next year, then we will have to further increase the strength in the same side.

**Devinder Khurana:** Rohit, the point we, that is okay, what the boss said was that we will always have a need-based employment, which is in any case the norm of any company. Let me put the basics at rest by saying that our employee cost vis-à-vis our top line has been around 7% or less than 7%. Even in that we will be able to maintain well. But, we are technically aligned to cross 500, with the current scenario, which I made last time also, with few changes here and there. That is not a very big issue.

**Rohit Nagaraj:** Sure, thanks. And one last clarification Khurana-ji. In first half, was there any inventory write off which we have taken?

**Devinder Khurana:** Let us revisit this question, I never have any inventory write offs ever. There is a reason behind it. The reason is, let us say we sell paddy and 10%-20% comes back, we don't keep that paddy, we always sell it as grain in the same year. So, as a result no paddy, no crops which are perishable gets carried to the coming year and then subsequently I have to take a write off for the paddy, for the inventory. We do not believe as a company in inventory write offs. We take it in every year.

**Rohit Nagaraj:** Alright. Fair enough sir. Thank you so much and best of luck.

**Satish Kagliwal:** Thank you. Thank you.

**Moderator:** Thank you sir. Ladies and gentlemen, if you have a question, please press \* and 1 on your telephone keypad.

**Devinder Khurana:** Pavithra, we can make it one last question. We are getting to one hour now.

**Moderator:** Sure sir. Since there are no further questions, now I hand over the floor to Mr. Devinder Khurana for closing comments. Over to you sir.

**Satish Kagliwal:** Devinder, before you close, can I have a question to Mr. Shashank Mahajan who did a good survey in Maharashtra and Gujarat.

**Devinder Khurana:** Sir, we can take his phone number and we will talk to him later.

**Satish Kagliwal:** Okay, that is what I meant. I just wanted to talk to him.

**Devinder Khurana:** I will get his phone number and I will send it to you. You can talk to him. Mahajan, I hope you are listening; the boss has got impressed with your efforts. Okay, in the closing, I would like to put across only one point that the company is determined to improve upon the operations, upon the financials, upon the working capital management, upon the growth, upon meeting its guidance. Our team is charged. And they are quite sure about the targets given to them and how to go about it. With that, I would like to thank everybody who took off the time from their busy schedule to attend our conference, and we hope to see you again next quarter. Thank you. Thank you very much.

**Satish Kagliwal:** Thank you everyone. Thank you.

**Moderator:** Thank you sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant evening.

---