



29th June, 2016

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National Stock Exchange of India Ltd
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Plot No.C/1, G Block,
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Scrip Code: 532899

Name of Scrip: KSCL

Dear Sir,

**Sub: Transcript - Kaveri Seed Q4 & FY 2016 Result Conference Call on Wednesday,
11th May, 2016 - Reg.**

Please find attached herewith Transcript of Kaveri Seed Company Limited Q4 & FY 2016 Result Conference Call made on Wednesday the 11th May, 2016. The Same was displayed at our company's website: www.kaveriseeds.in

This is for your kind information and records.

Thanking you,

Yours faithfully
For KAVERI SEED COMPANY LIMITED.


C. MITHUN CHAND
Whole Time Director

Encls: a/a.



Kaveri Seed Company Limited

Q4 FY16 Earnings Conference Call Transcript

May 11, 2016

Moderator Ladies and gentlemen good day and welcome to the Kaveri Seeds Q4 and FY16 Earnings Conference Call. As a reminder, all participants' lines will be in the listen only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Vikram Rajput of CDR India. Thank you and over to you, sir.

Vikram Rajput Good afternoon, everyone and thank you for joining us on Kaveri Seeds Company Limited Conference Call. We are joined today by Mr. Mithun Chand – Executive Director and Mr. Vijay Kumar -- CFO of the Company. I trust you have acquainted yourself with the highlights of the Company's results as shared in the presentation.

Before we get started, I would like to point out that certain statements made or discussed on the conference call today may be forward-looking in nature and must be viewed in conjunction with the risks we face. The Company does not undertake to update them. A statement in this regard is available for reference in the presentation.

We will begin the call with opening remarks from Mithun, who you will take you through the strategic imperatives and performance of the Company. We will then have the forum open for an interactive question-and-answer session.

Now, I would like to invite Mithun, to share his views.

Mithun Chand Good afternoon and very warm welcome to all of you. I will start by giving you the industry back drop and then spend time on our performance.

At the outset I would like to introduce G. Vijay Kumar as new CFO to the Company. Vijay is Chartered Accountant, Cost Accountant and has around 21 years of experience in the finance function and in the past he has been associated with reputed companies in senior positions. The board believes that Vijay will add tremendous value to Kaveri Seeds. Mr. K.V.Chalapathy Reddy, our CFO, has resigned for personal reasons. I would like to take this opportunity to thank Chalapathy Reddy for the important role he has played at the Company.

With that, I will now comment on the operational highlights for the period under review. As shared on earlier calls, FY16 turned out to be a difficult year for the seed industry, and the farmers. Rabi season was impacted by non-availability of water. Deficient rainfall for the year resulted in FY16 being another drought year, meaning consecutive weak seasons. Further, cotton which forms significant piece of the seed business, witnessed a significant drop in volumes and acreage, with no price hikes and one of the shortest sales seasons. The percentage of returns also has been higher than anticipated. FY16 was also a year of lower commodity prices, and higher inventories & receivables.

Against, this background, in FY16 we have sold 55.86 lakh packets in cotton as against 86.25 lakh packets in FY15. Cotton volumes moderated due to low acreages in Rayalseema and Karnataka, which are Kaveri strongholds and where we have more than 60% market share and limited participation in credit markets. On a positive note, we increased the market share in markets of MP, Gujarat and Maharashtra. Subnormal monsoons impacted maize with volumes at 9,150 tonnes as against 10,600 tonnes in FY15. Maize acreages were lower in Andhra Pradesh, Karnataka and Bihar. In terms of the revenues it is Rs. 157 crore this year compare to Rs. 162 crore last year. Meanwhile, Hybrid rice reported volumes of 1,998 tonnes as against 1,510 tonnes in FY15, almost 32% growth.

In Q4 FY16, while the Company has reported Revenues of Rs. 43.8 crore, there was an EBITDA and PAT level loss. Revenue performance was aided by higher lint sales, which are mostly a pass-through transaction. This results in a higher topline but lower gross margins. Now, profitability has been impacted by higher employee costs, increase in provision for doubtful debts of Rs 3.5 crore and higher promotional expenses in anticipation of an improved forthcoming season. The higher employee cost was on account of increased headcount and accumulation of employee benefits of in 4QFY16; going forward these are expected to normalise to around historic averages.

I am pleased to share working capital management continues to remain strong and there is notable improvement in debtor levels. Debtors stood at Rs. 80 crore as on 31 March 2016 as against Rs. 118 crore in 31 March 2015. Envisaging liquidity crunch in the market, we made a deliberate choice in FY16 to focus on Cash & Carry segment while offering lesser credit. Resultantly, receivables reduced significantly to Rs. 80.4 crore. Total cash on books stood at Rs. 486 crore as compared to Rs. 294 crore in 31 March 2015. We are cognizant of the high cash figure on our books. As far as the usage of cash is concerned, we are judiciously and cautiously looking to create long term shareholder value. Distributing value to our shareholders is a corporate philosophy. However, given the uncertainties over the legal dispute with Monsanto, we are being conservative and waiting for the cases to settle.

To sum, though FY16 was a challenging year on several fronts, we believe the year ended with some optimism due Central Government's decision to regulate cotton seed prices and royalty amount from FY17 onwards and also reports normal monsoon for the current year. Central Government's decision reduces uncertainty and improves business visibility for all seed companies. Historically, better monsoons tend to drive higher demand for premium seeds. We expect farmers to scale up investments on quality inputs to benefit from promising agri-climate, post two years of weak rainfall.

From a Kaveri perspective, FY17 is expected to post robust growth with planned cotton inventory 9-10 mn. We are confident of delivering 20 - 25 % growth going forward. We expect to capture higher market share driven by our diverse portfolio

and well established national footprint. We have been doing a lot of field promotion activities to regain share in markets of Andhra, Telangana and Karnataka and expect to make further market share gains in Maharashtra, Gujarat and MP. The success of our established products like Jadoo, ATM, etc. has already safeguarded growth for the company from a 3-5 year perspective.

Simultaneously, plans are afoot to scale up non-cotton operations. We have developed a sizeable and well diversified farmer centric portfolio which has been progressively gaining prominence in the marketplace and has served us well against crop shifts. In the coming year and the period ahead we expect strong growth from our high margin non-cotton portfolio, especially from maize. In May 2016, we commissioned new plant at Karimnagar District, Telangana State with installed capacity of 10 tonnes in Paddy and 20 tonnes in Maize.

To sum up, Kaveri Seeds is on an extremely firm footing both operationally and financially with growing farmer acceptance across the country. We have progressively strengthened our moat and are best placed to capture the sector tailwinds expected going forward. Our multi-crop portfolio, superior R&D, strong product launch capabilities, brand salience, farmer relationships, human capital efficiencies, and strong financial position are cornerstones of a sustainable platform for long term success. Our eyes are set on effecting profitable revenues, a strong ROCE profile and strengthen cash flows.

On that note I conclude my opening remarks. We would be happy to give you our perspective on any questions that you may have. I would request the operator on this call to open question and answer session. Thank you.

- Moderator** Thank you very much. We will now begin with the question and answer session. The first question is from the line of Nitin Gosar from Invesco AMC. Please go ahead.
- Nitin Gosar** Just wanted to understand from a historical perspective whenever there has been back to back two bad monsoons and third year the expectations definitely improved, then do farmers jump up immediately for the premium products when the monsoon returns back to normalcy at the very third year itself or do they take enough time to come back see the yields improving or may be the water table improving and then go to more premium products?
- Mithun Chand** If there is a chance of a good crop, he tends to spend more on it. And as the seed is the first input which he gives immediately after the rainfall so in anticipation of the good seasons he goes for a good quality seed and later on if monsoon is good then he will spend more to get more crops. So he will not wait for any other year, he just wants recover the entire losses what he has accumulated in the last year so he is likely to get more crop in this year. So I think a good monsoon will definitely make the farmer spend more to gain more.
- Nitin Gosar** Okay. And second question is pertaining to margins, the year gone by where I believe you had earlier mentioned in previous call that Rs64 crore is the pending amount which is not being paid as royalty and that is sitting as a part of the profitability is that the right understanding?
- Mithun Chand** Yes.
- Nitin Gosar** If I were to say FY'16 as in relevant number, I have to remove Rs. 64 crore and see how the margin stack up and that becomes your ongoing margin

Mithun Chand Yes, that is the way to look at it. If you want to compare with 2015 to 2016 that is the way to look at it. And the other part is that even in some states the MRP has also been reduced like Maharashtra MRP is reduced to Rs. 834 from Rs. 930. So we need to consider all those facts in terms of the margins.

Nitin Gosar And sir, one last clarification, you talked about revenue breakup and volume breakup I missed on that. Would you mind sharing it again?

Mithun Chand For the quarter or for the entire year?

Nitin Gosar For the entire year.

Mithun Chand Volumes were around 55 lakh of Cotton packet; 55.86 lakh packets compared to 86 lakh packet last year in terms of the volume in Cotton and in Maize it is around 9,150 tonnes compared to 1,067 tonnes last year.

Nitin Gosar Okay. And Paddy?

Mithun Chand Paddy we are close to 2,000 tonnes compare to 1,510 tonnes last year.

Nitin Gosar Okay. And what is the cotton revenue breakup and Paddy revenue?

Mithun Chand I do not have the exact figure as of now, Cotton revenue should be around Rs. 540 crore and Paddy all together Hybrid Paddy and Research Paddy is close to Rs. 80 crore.

Moderator Thank you. The next question is from the line of Vinod Malviya from Florintree Advisors. Please go ahead.

Vinod Malviya In the last year you lost a lot of market in the AP and the Maharashtra region because of certain issues. Now this season is just started now. So how is your initial reaction for the Cotton market in the AP and in Maharashtra region?

Mithun Chand I will just answer but going back to the last question, in Cotton we have done around Rs. 540 crore this year compared to Rs. 790 crore last year.

Coming back to your question regarding the season, this year we do not see the cotton acreages going up, at the same time we do not see a much decline in the cotton acreages and some governments like Telangana and AP are educating farmers not to grow cotton. But if you look at the commodity prices, it has moved up to close to Rs. 5,000 a quintal when earlier it was only Rs. 3,700 - Rs. 3,800, it moved to 5,000 seeing the commodity prices it is encouraging. And in the major areas of Maharashtra we do not see any decline in the cotton acreages. In some areas it is likely to be higher but the majority of the decline in the areas will be in northern India like Punjab, Haryana where they have been affected with the white fly. But from aKaveri perspective we are not in northern India so it will not affect our sales much. And coming back to southern India like Telangana and Andhra there will be a reduction in Andhra but we see the acreages in Telangana. Also last year because of our policy we have not participated in credit market and we were dealing on a cash and carry basis but this year we have recover most of the money from the market in this tough situation. So we have got scope to leverage on issues. Even though the cotton acreages may be lower by 5% to 10%, we think we can easily gain 20% from our present levels in terms of the volumes and the market share will be much higher than that.

Vinod Malviya Okay. So you continue to maintain your 7 million packet guidance for the FY'17?

Mithun Chand it should be between 5.5 million to 6 million that comes to 15 %%, actually in between 15% and 20% %.

Vinod Malviya Okay. if you can help me with the outlook for Maize and the Paddy season for FY'17?

Mithun Chand This year's non-Cotton crops looks very good; especially for Maize the commodity prices are also good. With everybody predicting a normal monsoon, Maize acreages may go up. So that is a very positive sign for the entire seed industry and as you are aware non-Cotton crops are much more profitable than the cotton crop giving established player better scope. As we are one of the dominant players in Maize and we have got a good market share in the areas in Telangana, Andhra Pradesh and Karnataka.

Vinod Malviya But in terms of margin profile what would be your margin profile in the non-Cotton seeds?

Mithun Chand In terms of the EBITDA non-Cotton should be around 25% to 30%.

Vinod Malviya Okay, 25% to 30%.

Moderator Thank you. The next question is from the line of Alok Deshpande from HSBC. Please go ahead.

Alok Deshpande Sir, a couple of questions. First, can you just give me your revenue number for Maize also, like you gave for Cotton and Paddy?

Mithun Chand Our revenue for Maize is Rs. 157 crore and Rs. 162 crore last year.

Alok Deshpande Okay, Rs. 157 crore against?

Mithun Chand Against Rs. 162 crore in the previous year.

Alok Deshpande Can you share some more color on what would be your strategy in Andhra and Telangana in terms of market share gains, are we going to go back to the credit market or is it going to be more of the aggressive sales push, a little bit of more color on that?

Mithun Chand As we have got the first indication that the season is going to be good in terms of the monsoon and we already started the commercial activities, that is why you are seeing some kind of higher expenses and increase in other expenses also. We are anticipating a good season, that is why we are spending more and especially in markets like Andhra and Telangana, we have no issues with the product, products are very well accepted by the farmer and in terms of the performance that has driven a better performance even in this worst season. So there was no issue with the product, it was issue of strategy, more specifically not supplying or dealing with cash and carry basis and secondly the season was also very short. So this year we have got scope to leverage on all those things because we have inventory, we have recovered most of the money from the markets, so we have those tools, so in that way we will be much more aggressive compared to previous year and I think we are expecting there is an increase of our market shares and volumes in this even in Telangana and Andhra. In Maharashtra we have done very well and, as I explained earlier, Maharashtra acreages might also go up a bit and as our products

are very well accepted there we anticipate a significant market share gain in Maharashtra.

Alok Deshpande Okay. So would you say that some of your peers who would not have gone for cash and carry strategy would be much worse off going in FY'17 if they continued with their credit strategy?

Mithun Chand Yes, most of the companies who have extended credits are not able to recover the money from the market and even though we have done lower sales last year we are very happy with the performance because credit sales done last year definitely would have suffered in terms of recovery and that would have impacted current year sales.

Alok Deshpande Sir, just one last one. Any comment on the market size, Cotton seed what it went to last year what sort of market expansion you are looking at this year?

Mithun Chand If you see the market the volumes were at a high close to Rs. 5.3 crore in 2014-2015. 2015-2016 it came down Rs. 4.2 to 4.3 crore, this year we estimate it to be around 3.8 to crores.

Alok Deshpande So almost flat, is it?

Mithun Chand Yes, almost flat and looks like lower by 10% %.

Alok Deshpande So Kaveri's growth would be more market share driven growth you are saying?

Mithun Chand Yes.

Alok Deshpande Yes, we are saying at least 20% volume growth and that will impact our market share.

Moderator Thank you. The next question is from the line of Chetan Thacker fromASK Investment Managers. Please go ahead.

Chetan Thacker Sir, just wanted to understand the market share gain, so would it just be extending credit that will help you or you even have to sacrifice some bit on the margins?

Mithun Chand So as of now, we are not compromising on margins. But we will extend credit this year seeing the market conditions, the Cotton acreages and the stress. We will definitely extend the credit and credit markets are basically in Telangana market. Remaining markets are all cash markets but in Telangana we will extend credit but we are not compromising on margins.

Chetan Thacker And sir, in Maharashtra how many packets did we sell out of the total market sales?

Mithun Chand Last time it was 11 plus lakh packets in Maharashtra.

Chetan Thacker And the market total is?

Mithun Chand Total market last time was around Rs. 1.3 crore, around 8% to 9% market share in Maharashtra.

Chetan Thacker And that is why you are looking to scale up to close to 12 odd percent - 13 odd percent this year?

Mithun Chand Yes, 10 % % growth if you look in terms of volume - an increase of 12 lakh packets what we are talking about is 52 lakh packets, out of which 50% we are targeting from Maharashtra itself.

Moderator Thank you. The next question is from the line of Abhijit Akella from IIFL. Please go ahead.

Abhijit Akella If you could break out the 4Q revenues also between seeds, microtek and lint it will be very helpful.

Mithun Chand Microtek is part of the consolidated financials. As a standalone, as a seed company we have done a revenue of around Rs. 32 crore out of which lint itself comprises of Rs. 16.5 crore and Cotton Rs. 5.5 crore, Maize Rs.8.5 crore. These are the major products.

Abhijit Akella And the difference between consolidated and standalone is almost entirely microtek, is it?

Mithun Chand Microtek has contributed to Rs. 10 crores. You want the break-up of the Microtek, in Microtek we have done Rs. 10 crores in this quarter that is the major revenue.

Abhijit Akella Okay. And just to understand the decline in the gross margin that is mainly because of the higher lint sales is it?

Mithun Chand Yes.

Abhijit Akella There is a sharp increase in employee cost. Why has the employee cost gone up and what will happen going forward?

Mithun Chand Basically if you see on a quarter-on-quarter basis I mean to say to compare 2014-2015 fourth quarter to 2015-2016 fourth quarter, you see a large difference because most of them are added in the last year. But if you take comparison between quarter three to quarter four, the employee cost has gone up by only Rs. 1 crore to Rs. 1.5 crore that too because of the provisions and one-time benefits what they get that was accumulated in the quarter four.

Abhijit Akella Yes, so going forward can we assume that this is the quarterly run rate going forward of Rs. 12.5 crore a quarter?

Mithun Chand Rs. 9 crore a quarter.

Abhijit Akella Rs. 9 crore, okay.

Mithun Chand Standalones are Rs. 9 crore, If you look on a consolidated basis, it should be around the same less 50 lakh s because it will be proportionating on a quarterly basis from next year. So you can say around Rs. 11 crore on a consolidated basis

Abhijit Akella Okay, understood. And also just notice that on the balance sheet if I look at the March 2015 numbers which have been restated, it seems like from last year's figure the dealer advances that we had got which are shown under other current liabilities, we seem to have netted off a big portion of that against the receivable.

Mithun Chand Yes.

Abhijit Akella What exactly has happened there?

Mithun Chand Basically you know in the seed industry, people give advances for the next year in the current season itself and usually we also accept advances, even if they have a debit balance which they then used to clear in the month of April May before the season. But this year as a policy we have said that whatever debit balances are there that will be adjusted if they do not give before the year end.

So that is the policy which we have put in place and as a prudent approach, we have netted the same thing and regrouped to give a clear cut comparison compare to previous year.

Abhijit Akella Okay. So the advances as of date are up Y-o-Y because the other current liabilities it seems like it is up slightly.

Mithun Chand No, it looks like that but actually the advances what we are talking of the Rs. 40 crore but that we are considering in advances last year and given benefit for that Rs. 40 crore last year. But this year we are not giving any benefit.

What I am trying to say is that last year we have given benefit to the dealer for Rs. 235 crore, this year we will be giving benefit on Rs. 195 crore.

Abhijit Akella And one last thing regarding the credit strategy that you have talked about in Telangana so, this year we have seen a receivables coming down but now next year should we expect to see them going up, how do you think about that?

Mithun Chand Not really but yes, compare to this year marginally it may go up the Company we are reviewing our policy in terms of the strategy, I mean to say that earlier we were extending more credit. Before last year we use to extend 90 days- to 180 days but now as policy we are only extending 90 day credit. So definitely it may go up slightly but not significantly also because we are thinking that we should come down, we will see once the season progresses. Usually in a normal monsoon season we tend to recover more. Only in the deficit monsoon then it will make difficulty.

Moderator Thank you. The next question is from the line of Balvinder Singh from B&K Securities. Please go ahead.

Balvinder Singh Firstly, if I see that including the cash and current investments it is like Rs. 500 crore, still we have not given any type of dividend, you told about the royalty thing but I think there is under provisioning of only Rs. 66 crore so even then if that goes out we will be having cash of around Rs. 420 crore - Rs. 430 crore. So despite that no dividend if you can highlight on that?

Mithun Chand I explained in the opening remarks, we are little bit conservative by taking cases and the legal battles which are going on so more or less that will be clear by second quarter. In June quarter end con call we will give a clear guidance about our policy regarding the strategy of distributing the money in terms of the dividends.

Balvinder Singh And this forensic audit is still going on?

Mithun Chand It will go on because they do not have any set timeline for it given SEBI does not reveal anything to the Company regarding the progress of the audit or what they

are looking at exactly. But it will take some time and we do not have any timeline as I said earlier, it will go for some more time.

Balvinder Singh On the product side, I think, Jadoo was launched in somewhere around 2009 and it is now six –to seven year old hybrid so pardon my limited knowledge but I think the seed life cycle works like if your product is some five years - six years - seven years old then the kind of yield that it gives stagnates and then competition catches up and people lose market share that is what I think happened with Nuziveedu in 2009-2010. And when we gained market share so, has any new product come in or there is no threat to Jadoo and we will continue to grow.

Mithun Chand Coming back to the product lifecycle there are no timing for the product lifecycle but they can be from the hybrid performance. Usually the product will stay from five years to six years from peak. But if you see the volumes of Jadoo, in the history Jadoo volumes are the highest sold by a single product. For example, in 2014-2015, we have sold close to 55 lakh packets of Jadoo When you are talking about Nuziveedu the leading hybrid they use to sell only 25 lakhs to 40 lakhs. So that shows the performance of the Jadoo and even this year Jadoo had performed very well compared to most of the products. And in terms of the market we have seen one product Rajshri's product which is doing well but it has got its own limitations but when compared to Jadoo, Jadoo is accepted across India and adaptability is very high when compare to other crops, other hybrids so, we are seeing the life cycle for Jadoo is higher and not only Jadoo we have ATM, we have launch of Super-Duper 3 by 1 these are the other products which are also picking up. So going forward, the other product contribution will be more in terms of the percentage but Jadoo sales will remain same.

Balvinder Singh Okay. And this incremental growth of 12 lakh packets you said that 50% of that will come from Maharashtra so, 6 lakhs roughly 2 lakhs - 3 lakhs will come from Gujarat and MP other. So more or less I think AP, Telangana will be kind of flat is what you are expecting in FY'17?

Mithun Chand No, not exactly flat, we will grow in AP Telangana, the majority of the growth as a percentage will come from Maharashtra. We have got the states like Gujarat, MP, we will be growing in MP, in Andhra especially in Telangana and Karnataka also to some extent.

Balvinder Singh There has been a lot of talk on this Desi Cotton variety coming through. Does this impact our hybrid industry size as such going forward or what is the impact of that?

Mithun Chand I do not think it will impact it because our country is a first country which has moved from non-hybrids to hybrids and the farmer has adopted hybrid because of we have seen benefit in terms of the yield or the varieties and everybody knows that this is proven fact that hybrids perform better than varieties in a good condition or in a stressed conditions. So in that way we do not see any threat as such but, government is talking about it and sentiment is back so everybody is thinking in that way but once the cotton price improves which we think that by this year end it should go up and definitely the hybrid market will go up.

Balvinder Singh Last question, on the management and auditor, I think if you can just throw some light why Mr. Venu Manohar Rao resigned and I think he was a key person since inception one of the co-promoter type so if you can explain and I think Kaveri was supposed to get E&Y as their auditor from FY'17, if I am correct, so what happened on that?

Mithun Chand Mr.Rao still remains as the promoter of the Company. Due to personal reasons he wanted some relief so on personal grounds he has stepped down as Director. But in terms of contribution he will be there as a promoter he will definitely be giving the contribution And coming back to the auditor M. Bhaskara Rao & Company is very renowned auditor in Hyderabad you can go, and see their profile in their website and they do auditing for many companies they are equally good like Big Four. Hence we appointed them as internal auditor. And we have got one more year left for existing statutory auditor. So next year we may most probably get Big Four or some big auditors

Balvinder Singh So this Venu Manohar Rao was one of the key I think marketing guy in our organization.

Mithun Chand Yes.

Balvinder Singh So does this in anyway impact our strategy going forward?

Mithun Chand No, nothing because as you are seeing the employee cost it is like since one to - one and half year everything is managed by the professionals, I mean to say high experience in the business segment and most of the marketing and everything is taken care by them. We are only playing advisoryrole in most of the parts; The day to day operations are taken care of by professionals

Moderator Thank you. The next question is from the line of Aditya WaglefromAequitas Investment. Please go ahead.

Aditya Wagle Just wanted to confirm the Maize volumes this year 9,150 versus 10,600

Mithun Chand Yes.

Aditya Wagle And sir, can you repeat what you said about the new plant in Telangana?

Mithun Chand We have set up a plant in Molangur that is in Karimnagar district.which is main production area for Paddy. We see a huge growth in Paddy in the coming years. As the Paddy market, it is only 4% of the total hybrid market and the hybrid market and the research market both are improving, and see a very big progress in that. So to address those issues we have set-up a plant in Molangur near the production area to cater to those markets and the capacity of that plant is 10 tonnes per hour.

Aditya Wagle 10 tonnes per hour, okay.

Mithun Chand And basically we have set up that plant for Paddy.

Aditya Wagle And sir, what was the Jadoo volumes in FY'16?

Mithun Chand I do not have the exact breakup of the Jadoo volumes it should be close to around 35 lakhs.

Aditya Wagle And how much growth do you expect in the coming year?

Mithun Chand Jadoo will definitely be driving the majority of the growth. Jadoo will be in between close to 40 to -44.

Moderator Thank you. The next question is from the line of Dheeresh Pathak from Goldman Sachs. Please go ahead.

Dheeresh Pathak For the full year how much was the lint sale?

Mithun Chand Lint sale was close to Rs. 47.5 crore compare to Rs. 39 crore last year because the production is also higher this year compared to previous year. What was the other question?

Dheeresh Pathak Production higher meaning the inventory higher because sales packets were lower this year right?

Mithun Chand Yes.

Dheeresh Pathak What was the total royalty amount paid?

Mithun Chand Royalty amount, we have provided for is around Rs. 38 crore.

Dheeresh Pathak Versus last year of?

Mithun Chand The royalty depends on the quantity what we sold.

Dheeresh Pathak I just want the absolute amount.

Mithun Chand I do not have the last year figures, including of tax it should be close to Rs. 155 crore to Rs. 160 crore.

Dheeresh Pathak When you say Rs. 38 crore in the P&L this is including the service tax on that or this is excluding the service tax?

Mithun Chand It includes service tax

Dheeresh Pathak Last year it was function of the blended royalty rates per packet based on various states, this year it is going to be just Rs. 50 pan India, right?

Mithun Chand Yes, Rs. 49 this inclusive of tax pan India.

Moderator Thank you. The next question is from the line of Mitul Mehta from Lucky Investment Managers. Please go ahead.

Mitul Mehta Can you tell us on the Maharashtra Cotton market who are the market leader because our market share is about 4%-5% so who are the leaders there and also in terms of Maize if you also repeat the volume

Mithun Chand The volumes in Maize are 9,150 tonnes compare to 10,600 tonnes last year. And in terms of the Cotton we have 8% to 9% market share in Maharashtra it is not 4% and the leading players in Maharashtra are Ajeet and Nuziveedu.

Mitul Mehta And one more thing Rs.64 Crores pending royalty to Monsanto for which the hearing is still on, so by when do you expect verdict on this?

Mithun Chand Sir, that we cannot comment on, we do not have any option but if you see the latest development what Maharashtra was claiming for example, if you see in 2015, we

were providing for Rs. 50 and Monsanto got pay on the order release by Telangana government but that order is vacated in the last week so, it means that the government notification is valid. So the amount what we need to pay is only Rs. 50 per packet. So anyway that is disputed subject but we need to see in the course but the timing we are not sure about it,

- G. Vijay Kumar** Now the various state courts are on summer holiday, they will commence after June 15th only, it takes time, on judicial matters we cannot comment on timelines.
- Mitul Mehta** And also in terms of market share for Maize can you help us to understand?
- Mithun Chand** In terms of the market share we have gained market share in Maize in this in Andhra and Karnataka EBIT because the volumes are lower, we are low because acreages are lower, going forward definitely we will gain market share in these two parts as well. And as Maize the crop sentiment itself is good.
- Mitul Mehta** What is the total market for Maize?
- Mithun Chand** Total market for Maize is something close to 75,000 tonnes to 85,000 tonnes.
- Mitul Mehta** We are about 12% market share right?
- Mithun Chand** We are having a 12% to 13% market share.
- Mitul Mehta** And who is the leader there?
- Mithun Chand** The leader is DuPont, Monsanto and after that we and Syngenta are close by.
- Mitul Mehta** Sir my last question is what we saw in FY'16 that Maharashtra reducing prices per packet by about Rs. 100. Do you foresee any other state coming up with something like this because again all this are too subjective. So do you see any of those things happening in the current year or over the next three years?
- Mithun Chand** As I explained in my previous calls and even today, earlier each state government was quoting the prices. Every state government used to have their own prices and that use to come under their jurisdiction. But with the recent price control order released by the Central Government it is uniform across all states, the price is applicable for every state in India wherever hybrid cotton is sold. So that sort of an uncertainty is not there.
- Mitul Mehta** So going by the last year prices so, let us say Maharashtra was Rs. 800 so does that means that Rs800 will prevail in every state of India?
- Mithun Chand** Last year Rs. 830 was in Maharashtra, now state we need to sell at Rs. 800 and royalty what we need to pay is only Rs. 49 inclusive of tax.
- Moderator** Thank you. The next question is from the line of Jigar Valia from OHM Group. Please go ahead.
- JigarValia** Mithun, just one question primarily, what would be the production cost for FY'16 and what is the outlook for FY'17?
- Mithun Chand** Last year the production was close to Rs. 340 to Rs. 350 a packet. This year the production cost may go up by other Rs. 30 to Rs. 40 a packet. We are seeing it will

be in between Rs. 380 to Rs. 390. The production cost will go up this year. So we see an impact of Rs. 30 to Rs. 40 a packet. But as the prices are reduced from Rs. 930 to Rs. 830 and we do not see ourselves taking the entire hit, the realization will be higher as a percentage. Last year out of Rs. 930, we use to give Rs. 180 discount to dealer. So now out of Rs. 800 the discount will be between Rs. 100 to Rs. 120 so, we think that we can compensate by reducing the dealer discount. Not exactly the dealer discount even though we were billing at Rs. 930 MRP, the dealer was selling only at Rs. 850 to farmer so he used to compromise and end of the day he used to only get Rs. 100 - Rs. 120. But we will give here and the farmer also has a very good deal as he is getting branded seeds for Rs. 800 now.

JigarValia Indirectly there will be a pass through cost to the farmer. So the other OPEX if one can look at, you want to put a number to that for OPEX or EBITDA per packet?

Mithun Chand See earlier we use to get around Rs. 200 a packet, even now we are targeting the same Rs. 200 a packet.

JigarValia And were there any write-backs on Maize this year?

Mithun Chand The write-off as we explained in the second quarter we have written-off close to Rs. 50 crore of stock out of the which majority was Maize. So majority of the write-offs were only in the second quarter and for the entire year write-off only in second quarter. So we have not seen any write-off in third quarter or fourth quarter which is in the P&L.

JigarValia If you can just refresh Maize sales for the full year, value wise?

Mithun Chand Value wise is Rs. 157 crore.

JigarValia So Rs. 157 crore is the sales and on EBITDA for Maize would be how much?

Mithun Chand All non-Cotton crops will be in between 28% to 30%.

JigarValia So Maize is it fair to assume Rs. 157 crore of sales you would have done on 28% to 30% but less full write-off of Rs. 50 crore would be the impact on the FY'16.

Mithun Chand Yes.

JigarValia And going ahead for 2017 you see a case of any write-off for any growth guidance for Maize?

Mithun Chand Write-offs are very common in the industry usually the write-off last year if you talk of financial year 2014-2015 we have written-off work close to around Rs. 20 odd crore Rs. 22 or Rs. 23, this year it was Rs. 50 crore as the returns are high the write-off are high. Usually in any year Rs. 15 crore to Rs. 20 crore is a common thing that is all in-build in the pricing itself. We cannot say that nothing will be written-off in that.

JigarValia And growth guidance for Maize?

Mithun Chand For Cotton it should be around 10% and non-Cotton crops it will be slightly higher, it should be in and around 20 % to 25%.

Moderator Thank you. The next question is from the line of Amit Mantrifrom2 Point 2 Capital. Please go ahead.

Amit Mantri Mithun, I wanted to discuss the auditor issue that was mentioned by another participant. In the Earnings Call in November you had said you plan to have E&Y as the statutory auditor from this year. What was the reason for the change in plan?

Mithun Chand Everything the current auditors doo in terms of credibility and capability is in line with the Big 4. And at the same time even if you look after the cost when we are getting a same service from the different reputed auditor the cost what they offered and what they are offering there is huge variation so we thought we will go with them

Amit Mantri Given the concerns around the forensic audit it has been better to have gone with E&Y right away itself considering that was our original plan as well because a lot of people have concern that we are P. R. Reddy audits only Kaveri Seeds, it does not audit any other company apart from that?

Mithun Chand I do not think any Auditor or Chartered Accountant will only rely on one company. P. R. Reddy does many other companies M. Bhaskara Rao Company is a very reputed company and nobody doubts about their credibility at all. And regarding the forensic audit, that was more a routine thing, in terms of SEBIs norms and as per the auditor. Another thing I want to state is we are a very transparent company and there is really nothing to hide. There is nothing that is forcing us to change our auditors other we are very much fine with our existing auditor.

Moderator Thank you. The next question is from the line of Rohan Gupta from Emkay Global. Please go ahead.

Rohan Gupta Mithun, just first once again clarification sorry, to bring it again and again this Maize volume you mentioned is 9,150 for FY'16 and for FY'15 it is 1,050 only or it is 10,050?

Mithun Chand 10,050 or 10,060.

Rohan Gupta Okay, got you. And the revenue in FY'16 is Rs. 157 crore and FY'15 was Rs. 162 crore from Maize?

Mithun Chand Yes.

Rohan Gupta Okay. Sir just coming on the second question about the government involvement in fixing the pricing and royalty so sir I think the CompanyMonsanto has still been able to take stay order from the Karnataka government, any development there?

Mithun Chand Even that stay got vacated 10 days back itself. We did not see any price control order so government litigation as of now. All the stays are vacated

Rohan Gupta So now Monsanto has to accept that royalty which the government has fixed.

Mithun Chand Yes.

Rohan Gupta And have they agreed or they are still showing their discomfort?

Mithun Chand Definitely they have their own discomfort but once we dispatch the seed as per the government policy they do not have stay or anything, the government notification stands valid for this year.

Rohan Gupta So at least for this year they will get more than Rs. 49 per packet for the royalty?

G. Vijay Kumar As on date all states have vacated the stay. In in no states has Monsanto got a stay. Everything is under judiciary until any further direction comes from the court, existing government policy still valid, as per the new government policy 1st April, 2016 onwards it will be applicable. Rs. 49 including taxes in the royalty and that still holds good until further direction comes from the court or government.

Rohan Gupta Mithun, you also mentioned that margin which you are looking almost Rs. 300 per packet in cotton and given that such tightening has happened from the government side on the trade honor like Monsanto who have been R&D and all and we are just hybrid and distribution company so, do you think that there can be further tightening from the government side which can reduce our margin from Rs. 200 to maybe on lower side or there is no risk on those margins which hybrid of distributors company enjoy?

Mithun Chand I do not entirely agree with your comment.

There are two technologies, when you talk about the BT hybrid cotton one is the gene the other is hybrid. To develop a hybrid we spend a lot many years to find out the combination. In fact, for example, in India the BG-IIG and the present gene is sold from last eight years to nine years there are close to 800 to 1,000 hybrids. I think close to (+500) hybrids were released with same technology. Why have only five hybrids have remained as leaders? Because the hybrid performance is more important than the gene and gene only helps the plant to control the plant from a particular pest and that can be controlled by insecticides by spraying pesticides.

So the understanding itself is wrong. We need to say that both are having R&D even that is our comment with the ministry and in that context, we are saying that it is not the gene it is hybrid which is giving the performance and gene is only value-addition to it.

And other thing is, it is not a clear distribution company -we do research and we market the product.

Rohan Gupta So your margins at Rs. 200 per packet which you are targeting is likely to remain intact.

Mithun Chand Yes, it is about in hybrid seeds whereas in technology it is a one-time investment where as to development and hybrid is recurring investment.

G. Vijay Kumar Kaveri is doing a lot of R&D in all the products.

Rohan Gupta Second to gain loss market share or increase the market share in the current year which is expected to drive our volume growth by 20% in the current year FY'17 you are talking about. You said that the working capital or giving higher credit will be only one most important factor which we will be considering, so are not we are going to risk of higher default or delays in payment from our dealers and distributors.

Mithun Chand So if you see in that way we are just extending credit that does not mean it will be a defaulter. Last time because we are not having inventory we saw the situation because earlier if you go back to financial year 2015, the debtors was also higher, so we did not take any risk. But if you see this year we have recovered the last year's money and this year's money as well. So that gives a lot of comfort and when you are talking about the credit policy that is certainly one of the strategy that we have, that is not the only strategy what we have.

Rohan Gupta But we are not going to offer higher discounts to the dealers?

Mithun Chand No, in terms of the margins we may not be compromising on margins in fact we are trying to realize more if you compare to last year per packet realizations. What we are talking about itself shows that we want to increase our realization. The other thing is that regarding credit we will be just a bit flexible -itsnot that we will offer everything.

G. Vijay Kumar We will not give to each and every one, we will go on a selective basis in the area and based on the dealer and distributors capacities

Rohan Gupta Yes, right. And just last question from my side on the industry front only that till last year that industry market size was almost (+5) crore packet, 5.3 crore packet plus and current year it is almost 4.3 to 4.4 and even FY'17 also next year you are expecting the similar number. So I mean that industry was gearing almost 5 crore plus packets and given that marketing and planning which generally in seed industry happens in one and half year in advance so there should be a lot of inventory in the system and even in FY'17 probably a lot of inventory can come in the market otherwise it will be useless because of the two years old inventory. So do you see that higher inventory in the market is still there and can this pose some risk for the organized player?

Mithun Chand I do not think compared to financial year 2015, the inventory higher. Because everybody has produced more but in previous year not in this year. By seeing their inventory, they have cut down their production plans and by this new government policy it gives more advantage to the selective brand because earlier the smaller companies were not showing full sale to Monsanto and then offering more discounts with dealers; now with new policy the royalty is a Rs. 49 compare to Rs. 185 earlier so that gives a lot of scope for the branded seed companies and the farmer is also benefited with the reduce prices. So in that way we see a growth in the organized sector then the unorganized one especially the branded sale will have more advantage.

Moderator Thank you. The next question is from the line of Niket Shah from Motilal Oswal Securities. Please go ahead.

NiketShah Mithun, I just want to know how much advances that we have got from the distributor?

Mithun Chand It is close to Rs. 190 crore.

NiketShah Rs. 190 crore and if you can just also highlight that where will the growth largely come in the Cotton part of the business this year from, which region are you look at and also which brands would do a large amount of growth thing for you?

Mithun Chand Basically the majority of the growth will come from Maharashtra the big brands are Jadoo are ATM we are seeing growth in these two main products and apart from

that Super-Duper also grow but it will not have a sizeable position as they are the recent launches.

- Moderator** Thank you. The next question is from the line of Amit Vohra from PCS Securities. Please go ahead.
- Amit Vohra** One thing can you repeat what was the advance figure that you said?
- Mithun Chand** Rs. (+195) crore.
- Amit Vohra** This is as of today?
- Mithun Chand** As on 31st March and most of the advances come before 31st March only, we cannot expect advances in this year.
- Amit Vohra** So Rs. 194 crore and most of these advances would Cotton be as a percentage of it?
- Mithun Chand** Close to 80% is Cotton in that.
- Amit Vohra** And the advances would be from Telangana region most of them or?
- Mithun Chand** Andhra and Maharashtra, even across all India based on our sales that as a proportion the advance are also in the same proportion.
- Amit Vohra** Yes. And the new plant that you have put up for Paddy what is our internal estimate of the revenues from that plant this year onwards?
- Mithun Chand** Basically revenues in Paddy is contributed to that plant, we see more than 25% growth in Paddy for next five years. So majority of this Paddy will be supplied from that plant.
- Amit Vohra** So we have done around Rs. 80 crore this year and the additional 20%-25% growth that you are talking is going to come from this plant is that the right assumption?
- Mithun Chand** Not exactly this year but over the span of next 5 years to 10 years majority of the growth whatever we do in Paddy because we are seeing a good growth in Paddy segment in the industry. So the majority of the supplies of Paddy for our company will be done by that plant.
- Amit Vohra** And one more last question. Earlier has there been any point in time that any state government has discouraged Cotton sowing and what has been the outcome of such an event from your observation?
- Mithun Chand** Yes, earlier seven years or eight years - ten years back they have done to some extent but not to cotton for some other crops. And usually every year they do for some of the crop for example, if you do not have water they will discourage Paddy, sometime they discourage Maize or Sunflower in some particular areas but this time because seeing the farmer conditions Telangana Government especially is working aggressively to reduce the cotton acreages but in the last 15 - 20 days the Cotton price have moved up from Rs. 4,000 to Rs. 5,000 and farmer will definitely go for Cotton. The nature of the crop is that it is very hardy crop and the other point what we need to see because farmer has sown Cotton this year that is the reason

he has survived. If you see the statistics recently given by Cotton Committee for India as a whole, the yields have marginally gone up this year whereas all other crops were down so that is why the farmers got safeguarded in Cotton. At the same time the cotton acreage is going from below 4 crore packet market itself is a bit difficult because they do not much alternatives in India.

Amit Vohra If not Cotton what are the alternatives that the government is suggesting for the farmer?

Mithun Chand Pulses.

Amit Vohra Pulses all right. But are they as lucrative from your observations?

Mithun Chand This year Pulses prices were pretty high that is lucrative and we need to understand, we need to set the price that we are dealing with a commodity and it will have its own fluctuation based on the demand and supply and Cotton because we are all aware China has got high inventory there is a lot of stress on Cotton but I think it will ease out by this year end.

Moderator Thank you. The next question is from the line of Prashant Tarwadi from Axis Capital. Please go ahead.

Prashant Tarwadi I have three questions; firstly, in FY'16 we saw a lot of pink bollworm issues with the existing seed varieties which was present across all the seed variety. So going forward in FY'17 whether it will impact farmers yield or any kind of market development capability for us, that is number one. Second question is on what is the update on introduction of RR Flex technology that is BT 3 at what regulatory stage it is currently. Thirdly, and lastly, on market share front, what I am looking at like, we are expecting about 5% market share gain in Maharashtra so that is pretty impressive in FY'17. So which are the players who would in your opinion would lose the market share whether it would with the organized players or would that be unorganized players? Thank you.

Mithun Chand Coming to your first question regarding the bollworm issue, we need to verify actually whether the plants have developed the resistance or not. There were a lot of difficulties in this season. One it was all affected by long dry spells and the planting time was different in the same particular area. For example Bollworm will come after 120 days but there are plants which were there more than 120 days and less than 60 days - 70 days also so usually that is not the scenario and that need to be studied now. And I do not think as per the report that Bollworm are not completely developing resistance but again we need to work this year closely to see the exact impact of the of Pink Bollworm and that we can clarify after the season is done.

And regarding the next question BTBGII RRF, is still in the approval stage; it has not moved much faster what it was in the last one years and one and half year time it is still there. And the other thing is thing entire genetically modified crop itself is becoming a debate in Indian thing so once that is clear then only we can get the clarity in terms of the pink bollworm BGII RRF introduction.

Regarding market share gains in Maharashtra as we are targeting 5% market share gain it is only 6 lakh packets to 7 lakh packets. So it is very negligible in overall market and usually non-branded will lose in this scenario.

Moderator Thank you. The next question is from the line of Bhavin Chheda from Enam Holdings. Please go ahead.

BhavinChheda Sir, you guided your production cost to go up by Rs. 40 - Rs. 50 per Cotton packet, why would that be because your volumes would also be higher so there would be some economies of scale.

Mithun Chand Basically production cost are related to the availability of the land and by that I mean to say inflation cost, labor cost and the productivity. So these all three are the production cost, so these three have gone up because of the labor cost has gone up, lease has gone up and the other thing is recovery because of the hard season, even the quality of the seed is also damaged to such extent even that has added to production cost.

BhavinChheda And just explain sir, you said that the Cotton seed MRP was Rs. 930 and there use to be discount of Rs. 180 right. That discount would reduce to Rs. 120 but the MRP reduction has been Rs. 100 so you will be able to recover only Rs. 60 by reducing discount and the cost are also going up so where is the mismatch figure of maintaining the same margins royalty of which has gone down I think 25 versus FY'16 provision so how would the margins remain same then?

Mithun Chand If you compare with FY'16, the margins would be in line.

BhavinChheda What was the 2016 royalty provision on per packet basis?

Mithun Chand That was different states different margin. For other states we have provide 90, for Telangana 50, for Maharashtra 20. And even in Maharashtra we sold at Rs. 830 and given discount of Rs. 180 to dealers.

BhavinChheda Okay. And I missed out on your FY'16, how much Cotton seed packets you sold?

Mithun Chand Close to 56 lakh packets.

Moderator Thank you. The next question is from the line of Abhijeet Akela from IIFL. Please go ahead.

AbhijeetAkela Just one last follow-up, the provision for doubtful debts for the full year can you just tell us how much it was versus FY'15?

Mithun Chand For FY'16, doubtful debt was close to Rs. 14.6 crore out of which close to Rs. 10 crore is from government bodies.

AbhijeetAkela Okay. And this Rs. 3.5 crore write-off that you have taken in the fourth quarter that is also all government?

Mithun Chand Part of it is government

AbhijeetAkela Going forward we are not seeing any further write-downs?

G. Vijay Kumar These are not write-offs; these are only provision. As a policy more than 2 year receivables we are providing as a provision for doubtful debts and not as write off.

Mithun Chand And most probably all the government will be recovered and in our history, if you see for the entire last six years or seven years the entire bad debts in the Company are close to only Rs. 5 crore to Rs. 6 crore. So even what we have provided in non-government also can be recovered it is only a provision what we have made.

G. Vijay Kumar Actual written-off is only Rs. 17 lakhs,. As a good prudential norms decided internally we have provided as provision for doubtful debts.

Abhijeet Akela Right, understand that. And just one thing the market share of the smaller players you know last year how much would it have been and do you think it can go down substantially in FY'17 because of this lower royalty?

Mithun Chand Last year the market share of non-organized players have gone up because there was a lot of confusion in terms of the royalty, MRP is being reduced in Maharashtra that has an impact the sales in Andhra and small space and a lot of scope and again that was supported by bad monsoon. Now this year most of the gain will be towards organized players compared to non-organized players, going forward it will be very difficult for non-organized players to be in the market because being a large player you have advantage in terms of the production and distribution and earlier they use to have an advantage of not showing the sale and paying lower royalty to Monsanto. Now because the margin is only Rs. 40 - Rs. 45 it will be very difficult for them to play around.

Abhijeet Akela So out of last year's overall market of you know 43 million packets or so 4.3 crore packet how much would the unorganized have been in your estimate?

Mithun Chand Close to 10% to 12%.

Abhijeet Akela Okay, the 4 million packets - 5 million packets approximately.

Mithun Chand Yes, I just need to work on that but it is will be more than because organized players all the companies have except for one company or two companies all the companies decline in terms of the volumes.

Moderator Thank you. We will take one last question which is from the line of Dikshit Mittal from Subhkam Ventures. Please go ahead.

Dikshit Mittal Sir, my question is regarding EBITDA per packet that you mentioned is around Rs. 200 and you have also mentioned that every year your production costs are going by around Rs. 30 to Rs. 40 per packet. So will that mean you will have to go back to the government next year to take price hikes to maintain your margins?

Mithun Chand Every year the production cost will not go up. In the last three years is the year where the production cost has gone up for many varied reasons, one is the because of the climatic condition further production cost has gone up. I do not think next year the production cost will go up it will remain same. And again at the Company front we are working on some of the technologies which can reduce the production cost that will all be launched after two years.

Dikshit Mittal Okay. But effective if you see most of the components in that should be at least sizing in line with the inflation like the labor cost and other cost. So do not you anticipate at least in line with inflation the production cost will go up?

Mithun Chand No, because this year most of the cost has gone. In fact, we think next year the production cost will be lower than this year but for sure it will not go up.

G. Vijay Kumar Whatever the cost increase, we have to recover from that production efficiencies and other things.

Moderator Ladies and gentlemen due to time constraints, that was our last question. I would now like to hand the floor over to Mithun Chand for closing comments.

Mithun Chand It has been a pleasure interacting with you over the call. We thank you for taking time out and engaging with us today. We value your continued interest and support. If you have any questions or you would like to know more about the Company, kindly reach our Investor Relation desk. Thank you.

Moderator Thank you. On behalf of Kaveri Seeds Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.

- ENDS -

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