



# Chairman's Speech

*25<sup>th</sup> Annual General Meeting*

## **KAVERI SEED COMPANY LIMITED**

25<sup>th</sup> September 2012

Dear Share owners,

On behalf of the Board of Directors of Kaveri Seed Company Ltd., it is my privilege and pleasure to extend a very warm welcome to all of you to this 25<sup>th</sup> Annual General Meeting 2012 being held on this day of 25<sup>th</sup> of September 2012. Members will be happy to know that your Company is celebrating its Silver Jubilee this Year. This AGM heralds Kaveri Seed Company's successful business growth in the Silver Jubilee Year with promise, hope and vision of making your Company a National champion of the seed industry. This eventful journey has been a period of planned growth and success through collective wisdom and hard work. Your Directors take this opportunity to complement each one of the members, customers, dealers, distributors, business associates and employees for their encouragement, sustained support and co-operation. Your Company shall strive to maintain the momentum and stands dedicated for the cause of continued growth to meet every stakeholder's expectation as ever. The Company's clear focus on quality, product development, production efficiency, productivity improvement and speed to market, I am sure, will drive the future successes.

### **Economic scenario:**

The global economy continues to be in turmoil with little hope of early recovery in the immediate future. Nations across the world are confronted with dwindling revenues and resources. India is not impervious to the impact of global recession and experiencing economic slowdown too. The high commodity prices, interest rates and weakness of Indian rupee are major challenges for economic growth. In these circumstances achieving sustained growth is certainly not a sure task. Fortunately, seed business is more or less recession proof, less impacted by these developments around.

### **Technology impetus and policy reforms:**

Technological advances and policy reforms initiated in late 1980s, greatly impacted India's seed industry, opening up new growth opportunities through investment on innovation. This is amply witnessed in case of BT cotton. Less beneficiaries from these are the food crops. Industry's investment in research, development, and marketing of improved seed for these crops has also lagged that of cotton despite their volume and significance. With the enhanced R&D capabilities of seed Industry, and pro business policy environment forthcoming to support the growth, seed Industry can significantly contribute to productivity gains in the major cereals making the Nation food secure. After Bt cotton, next growth driver and hope for industry is hybrid rice. With huge market potential, hybrid rice is the attraction for the Company's business too.

### **Financial performance:**

Your Company has crossed a turnover of Rs.37244.32 lakhs during the year under review. The financial year 2011-12 has witnessed a significant improvement in all facets of business - revenues, operating income, profit before tax, profit after tax and earnings per share. The gross turnover grew over 59% reaching to Rs.37244.32 lakhs that was possible through our strategic initiatives by your company for expanded seed sale. Net Profit after Tax of Rs.5810.36 lakhs was higher by 36.79% over Rs.1562.85 lakhs of the previous year. It is a new all time high for your Company amounting to earnings @ Rs.42.40 per share, compared to Rs.31 in the yester year.

### **Dividend:**

The Board of Directors are pleased to recommend a dividend of Rs.4/- per Equity Share of Rs.10/- each (40%) for the financial year 2011-12. The dividend approved at the ensuing Annual General Meeting, will be paid to those shareholders whose names appear on the register of members as on the book closure date. The Dividend would be tax-free in the hands of the shareholders.

### **Research & Development:**

Your company has emerged as one of the key National seed companies of India owing to three decades of expertise in the application of genetics and breeding science in varietal & hybrid breeding and trait development. The company has been successful in the evolution of several super green hybrids and varieties of field crops and vegetables. The potential of molecular techniques in fostering and fortifying the traditional breeding is being harnessed through an integrated programme of blending the advances in new biology with conventional breeding. With sharp focus and investment in R&D, your Company is in a position to carve a sizeable share for their knowledge driven products in agribusiness. With pride I wish to state that the R&D team of your Company is lead by very committed and unmatched leadership.

### **Product Portfolio:**

Your Company continues to rein enviably in its product portfolio - both in number and performance. The Company's premier Bt cotton hybrids – **Jaadoo, Jackpot and North Bullet, ATM, Singha and Barood** and bajra hybrids - **Super Boss and Fouzi** are now in the forefront of seed market and in the farmer's fields. **Sampada, Tatkal (red gram) Sampoorna, Chintu and Sleek** (paddy) are creating niche markets. Based on National Evaluation process, the ICAR has identified Company's maize hybrids **KMH 25K60** for A.P, Karnataka and Maharashtra and **KMH 3712** for Punjab, Delhi, Haryana, Western U.P., Rajasthan, Gujarat, Madhya Pradesh, Bihar, and W. Bengal & Eastern U.P in the year 2011. Four paddy hybrids **KPH 216, KPH 371, KPH 272 & KPH 199** excelled in National trials. In a similar vein, **X 563** (Bajra) and **KSH 950** (Jowar) are the hybrids of promise and likely to capture the market soon. Success has also been achieved in vegetable breeding; Tomato hybrids- **KTH 104, KTH 204**, okra hybrids - **Kaveri Nadia, Kaveri Leena and KBH 960** hold promise and hope for the Company's further growth in vegetable business. Significant progress has been made in breeding **yellow vein mosaic virus (YVMV)** resistant okra hybrids. The performance of proprietary hybrids - **KMH 218 Plus; KMH 3426;**

**KMH 25K60 & KMH 3712** and Bajra hybrid, **MH1553** at all India level is recognised by their notification by the CVRC.

With increased private investment in research and knowledge driven products emerging, Intellectual Property Rights become important. Your Company registered a number of improved germplasm / parental lines and hybrids evolved through its dedicated R&D to realize the investments and protect rights.

#### **Brand – Microteck:**

Your Company has established Microteck division few years ago with the purpose of providing green and organic products- Micronutrients, and Bio-pesticides to the farmers. All the products are marketed under the brand name of **Microteck**. The bulk moving products under this brand are Mazik, Energy and Captain. Ultimax +, Kick and Microzyme are yield maximizers. Fire and Fatafat stimulate the plant defence mechanism. Microteck has commissioned production of Bio-pesticides- **Bio-guard** and **Bio-cense** that subscribe to green environment.

#### **New Initiatives:**

**Kexveg India Private Limited**, a subsidiary company is a new initiative for production of high value vegetables for domestic and export needs. The subsidiary entered into commercial cultivation of high value exotic Indian vegetables and European culinary herbs in state-of-the-art green houses designed and built for the purpose. During the year the Company started with 5 hectare area initially as a pilot project near Hyderabad and steps are being taken to extend another five hectare area of green houses to cultivate -Green & Coloured Capsicum, Hybrid tomato, Cherry tomato, Parthenocarpic cucumber, leafy and Iceberg lettuce and Basil, culinary herbs like chives, sage, cilantro and parsley to cater the European market.

#### **Growth drivers:**

India, the second-largest grain grower country, produced 35.34 million quintals of seed in the year under review. The private sector accounts for 40% of the country's seed production. A considerable chunk of the seed production is still in the unorganised sector. India's seed industry is expected to grow 50% over the next two years, Subsidies and renewed government thrust on the use of high-yielding varieties will enhance the demand for branded seed. Furthermore, due to increased awareness amongst farmers about the benefits of using quality seed, the demand will be growing year after year. A visible shift in preference from varieties to hybrids also adds to market demand. The popularity of hybrid rice in eastern region states is an impetus to industry as next high growth point. Nevertheless, seed business too is highly competitive and one's success depends on the ability to establish an edge over the peers in terms of technology, proprietary product development, and quality and fast forward to market.

#### **Risks:**

The seed business though less impacted by global recession is however, subjected to risks. Due to weather factors such as failure of monsoon and disease outbreaks that may result in a shortfall affecting targets. Stealthy production of hybrid seed, and illegal sale, infringement of

products, governmental regulations of GM crops under evolution and moratorium on conducting field trials adversely affect the seed business.

### **Outlook:**

Spikes in food prices during the last six years have led to widespread hunger and social unrest in several developing countries. A massive drought currently in the offing threatens to bubble another food crisis. With the global population predicted to reach 9 billion by 2050, combined with ascending lifestyles, the need is for economic growth. To balance that growth with the already precarious state of our natural resource base is a daunting task. The emerging concept of a green economy is an opportunity to reconcile economic needs with environmental concerns. Agriculture has immense potential in a green economy to address the unsustainable use of natural resources for food production. New Vision for Agriculture is renaissance of Agriculture as driver of food security, environmental sustainability and economic opportunity. Harnessing the best of scientific knowledge and technological breakthroughs to produce seed of super green hybrids is crucial for second green revolution. With world food crisis looming large, it is a foregone conclusion that future rests with those who wield grain power and the quality seed we produce through innovation holds the key in such empowerment. Your company is committed to march ahead to the front line in agribusiness by expanding core seed sector and marketing of exotic vegetables to indigenous and offshore markets. Towards this goal, the Company is laying stress on improved efficiency and accelerated innovation and a momentum has been ushered.

Your company is currently refurbishing its seed business by phasing out extant products, focusing on few new brands with intent to secure leadership. The company striving to leverage farmer-centricity across the value chain to deliver solutions from seed to micronutrients and bio products. Your Company has plans to consolidate its recent lead in cotton, pearl millet and maize and extend to rice and sunflower.

### **Reward and Recognitions:**

Recognition among peers is an indication of growth and performance. Your Company's performance drew the attention of Forbes and figured among the top 200 Companies- Best under a Billion in Asia-Pacific, for third year in succession.

### **Acknowledgements**

In conclusion, on behalf of Board of Directors of your Company and on my own behalf, I thank all of the Shareholders, Investors, Bankers, Financial institutions and Business Associates who reposed their trust and extended support to the Company. Your Company is grateful to the Distributors, Dealers, and Customers for their support and encouragement. Your Directors place on record their sincere appreciation for the dedication and commitment of members of the Kaveri Family for their significant contribution to Company's present growth and dreams for the future.

Thanking you,

Sd/-

G.V. Bhaskar Rao,

Chairman & Managing Director