

26<sup>th</sup> March 2019

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

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

**Scrip Code: 532899**

**Scrip Code: KSCL**

Dear Sirs,

**Sub: Transcript - Kaveri Seed Q3 & FY 2019 Results Conference  
Call on Monday, 18<sup>th</sup> February 2019 - Reg.,**

Please find attached herewith Transcript of Kaveri Seed Company Limited Q3 & FY 2019 Results Conference Call made on Monday the 18<sup>th</sup> February, 2019. The same was displayed at our Company's website: [www.kaveriseeds.in](http://www.kaveriseeds.in).

This is for your 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 Conference Call Transcript February 18, 2019

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**Moderator**

Good day, ladies and gentlemen and a very warm welcome to the Kaveri Seed Company Limited's Q3 and 9 months FY19 earnings conference call. As a reminder, all participants' lines will be in the listen only mode. 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 \* and then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rishab Barar from CDR India. Thank you and over to you, sir.

**Rishab Barar**

Good afternoon everyone and thank you for joining us on the Kaveri Seed Company Limited's Q3 and 9 months FY19 conference call. We are joined today by Mr. Mithun Chand, the Executive Director.

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 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 Mr. Mithun Chand who will share updates on the market environment and take you through the strategic imperatives of the company. He will also share his thoughts on the performance of the company during the review period. We will then have the forum open for an interactive question and answer session. Now, I would like to invite Mr. Mithun Chand to share his views. Thank you and over to you sir.

**Mithun Chand**

Good day everyone and very warm welcome to all of you. Let me dwell a little into the performance for the 9 months under review. In the 9 months financial year 19, we have sold 6.1 million cotton packets as compared to 6.9 million cotton packets in 9 months financial year 18. We continued to remain the market leaders in cotton with presence across Andhra Pradesh, Telangana, Gujarat, Maharashtra and Karnataka and now expanding our presence in the North. Over the last season, we have launched two new variance namely KCH 111 and KCH 36 and they have



been received very well. We continued to mark progress in our noncotton business as well. Hybrid rice volumes have increased 39% in the 9 months financial year 19. Selection rice volume has grown 48% in the 9 months financial year 19. Bajra is still under pressure and sales declined over the year. Maize volumes are decreased by 3% during 9 months of the financial year 19, primarily due to the concerns around fall armyworm.

Our exports have been picking up steadily, having commenced with exposure to only Bangladesh, we now have licenses to several other countries and expanding our horizons there. We also continue to play significant emphasis in R&D and as a result, we have developed high quality hybrid seeds which have better yields. Additionally, our trust continues to be on bringing down operational costs across the world. We continue to focus on strengthening our supply chain where we bettered our warehouses with large scale depreciation capabilities, increasing our quality mechanism, thereby ensuring better storage. Where cotton is concerned, we are witnessing traction mainly in money maker, KCH 111 and KCH 36. The main drivers for maize performance have to be seen from specific hybrids of Drona, Profit, KMH 3712, KMH 463, KMH 3089. Rice is also expected to grow primarily through KPH 468 and other products namely KPH 475. Remarkably, vegetable growth has also witnessed across hot pepper, okra, tomato and gourds.

In 9 months financial year 19, revenue stood at Rs. 724.26 crore against Rs. 730.79 crore for the 9 months of the financial year 18,. In quarter 3 financial year 19, revenue stood at Rs. 67.18 crore as against Rs. 70.63 crore in the quarter 3 financial year 18. In 9 months financial year 19, EBITDA stood at Rs. 251.99 crore as against Rs. 253.66 crore in 9 months financial year 18, translating to an EBITDA margin of 34.79%. In Q3 financial year 19, EBITDA stood at Rs. 10.71 crore against Rs. 11.35 crore in quarter 3 financial year 18, translating to an EBITDA margin of 15.95%. In 9 months financial year 19, PAT decreased by 1.11% year-on-year to Rs. 226.16 crore. Our balance sheet continues to remain strong. Total cash on book stood at Rs. 389 crore as on December 31st 2018.

I would like to announce the appointment of our new CFO and KMP Mr. K.V. Chalapathi Reddy with effect from February 14, 2019. Despite some challenges, like below normal rainfall and pest like pink bollworm and fall armyworm, we have performed well during the third quarter and 9 months of the financial year 19. Our margins remained healthy and balance sheet numbers are strong. Our continued intent will be on enhancing shareholder value and returning excess cash to shareholders. Our business model is more diversified and de-risked at the moment and over a period of time, we will be able to better spread our revenues across crops. On that note, I conclude my opening remarks. We are 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. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Omkar Kulkarni, an Individual Investor. Please go ahead.

**Omkar Kulkarni**

My question is can you give crop wise breakup which consist to your revenue?

**Mithun Chand**

For the first 9 months?



**Omkar Kulkarni** For the first 9 months as well as for this quarter.

**Mithun Chand** For the first 9 months, we have done 6.5 million packets of cotton, revenue coming up to Rs. 391.2 crore, hybrid rice around Rs. 50.2 crore and maize around Rs. 147.6 crore for the first 9 months.

**Omkar Kulkarni** And for this quarter?

**Mithun Chand** Just give me some time, I will come back with the quarter figures later on.

**Omkar Kulkarni** My question is like how many more years will take to significantly reduce your dependency on cotton sales?

**Mithun Chand** If you see in the past financial years, over year-on-year, the dependency on cotton crop is coming down. Last time, it was close to 60%, this year it is only 55% compared to previous year. Our plan is to go to 40% in the next 3 years, so if you see the growth in the non-cotton crops like maize, especially like rice, we have grown in by more than 40% across board and maize despite the fact we have degrown in volume, but in tonnes of the value, we have grown, so overall in the industry sense, we are working on non-cotton crops more and the growth in non-cotton crops is much higher than the cotton crop. We are pretty much confident that in the next 3 years, non-cotton will contribute more than the cotton crops.

**Omkar Kulkarni** Since your business is completely dependent on weather and how nature behaves, what steps you are taking to de-risk your business?

**Mithun Chand** Basically, rainfall is the main criteria and more importantly for us is that delay in the rainfall may cause cropping pattern change. In that way, we have a huge portfolio, for example, we are strong in cotton, maize, rice and the crops like sunflower, bajra, so we have a very diverse crop portfolio, in that way we mitigate the risk by regulating dependency on one crop.

**Omkar Kulkarni** And you have told us that you will be returning excess cash for the shareholders, you have already done two buybacks, so is there anything on the cards for this next financial year?

**Mithun Chand** Yes, we tend to continue it as we have free cash flow, we will return whatever we have with us.

**Omkar Kulkarni** So your first quarter is generally the moving quarter where you garner around 75 to 80% of your revenue and cash flow, right?

**Mithun Chand** Yes, after the first quarter, we will take a call. Based on the board decision, the action will be intimated, but as our intention is to reward it to the shareholders which we are doing for the last two years and I think we will continue it.

**Moderator** Thank you. The next question is from the line of Anirudha Joshi from ICICI Securities. Please go ahead.

**Anirudha Joshi** Most likely at least there are some preliminary report saying we may have little bit lower monsoon this year that is CY19 due to El nino, so what are the steps,



assuming if the fear turns to be true, so what are the steps the company is taking to ensure that we are not much impacted?

**Mithun Chand** It is not new for our business, we are in the business for the last 40 years, low monsoon and good monsoon and below monsoon are all the part of the business, but as I said earlier, we have a huge product portfolio wherein we can fit, for example, in most of the places, maize is replaced by cotton or cotton is replaced by maize based on the rainfall, so we are present in both the crops and we are also present in dry crops like sunflower, so we have a fair chance of mitigating that risk and I think that will be continuing as a part of the business and for that if you see we have not only in terms of the sales, in terms of safeguarding the produce, we have constructed huge warehouses, cold storage, where we can store the seed for the coming year, so in that way we are mitigating our risk in all parts and I think we need to live with it.

**Anirudha Joshi** Lastly, can you indicate the number of retail outlets that we have at the end of 9 month results?

**Mithun Chand** It is close to 35,000 retails we deal across India directly and indirectly, but directly as a company, we deal with close to 3000 parties.

**Anirudha Joshi** Direct plus indirect, 35,000.

**Mithun Chand** Yes, more than 35,000.

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

**Abhijit Akella** Just wanted to get your perspective on this Andhra Pradesh, the license dispute, etc., that has cropped up, so if you could give some colour on what exactly this is all about and what impact you expected to have on the upcoming year sales?

**Mithun Chand** This case is related to 2017, it is not the new one, it is a previous year sale. I mean it is a 2017 October case, so they have found out some instances of HT, that is herbicide tolerant in one of our areas, I mean in the production fields, so it is not received by the company, they have not found anything from the company premises. It is in the production field. The expression of the gene was only 5% in that HT gene. So that they have issued a show cause notice for which we have already replied and we are in touch with the concerned departments and I don't think it has a threat for the coming season because our license will be renewed, I am pretty sure about that and as a company we don't deal anything with HT.

**Abhijit Akella** Although do we have our own internal testing systems, etc., also which?

**Mithun Chand** Yes, we have a testing that is clear to our testing because usually in the fields, if someone is producing a HT, there might be cross pollination wherein you get some instances of HT. Even that we reject in our testing, but this has not passed the testing at all, this is only in the production field.

**Abhijit Akella** So this is in the preproduction?



**Mithun Chand** Yes, it is not even in the company premises.

**Abhijit Chand** And then with regard to Andhra Pradesh state as a whole, I understand that pretty much all the leading players have had their licenses suspended for the next one year, while you already mentioned that you expected to get renewed, so when you expect some development in that regard?

**Mithun Chand** Usually, a season starts in the month of June, but we think in the next 2 or 3 weeks, it will be set in. We already represented in the last week also.

**Abhijit Chand** And then on the CFO change, if you could just share any colour that is possible regarding the reason for Mr. Vijay Kumar's departure and I understand that Mr. Chalapathi Reddy is coming back now after having left 2 years ago.

**Mithun Chand** He has moved out for his personal reasons, nothing material. Chalapathi Reddy who has joined in our company till 2016, till Vijay Kumar, he has come back again. Nothing specific, it's just a personal reason.

**Abhijit Chand** And last thing from me, just the margins this quarter were bit on the lower side, is that because of the decline in corn sales or is there also pressure in any of the other seed categories?

**Mithun Chand** Basically, majority of the third quarter revenue is contributed by corn, this quarter we are down by more than 25% in corn. That has impacted the margins, basically on fall armyworm threat.

**Abhijit Chand** So any outlook you could provide for FY20 for cotton and corn, now that the prices have started firming up a bit?

**Mithun Chand** If you compare the commodity prices as of now to the start of the season, I mean in the start of the year, now the commodity prices are very attractive. If you see cotton, cotton is around Rs. 5,500 that is very lucrative for the cotton farmers and in fact, we feel that the cotton acreage may go up next year by seeing the prices and the other interesting fact is that in the last 3 months, maize has gone up to Rs. 21 a kg which is I think is a whole time high for the maize prices, so we think that both maize and cotton might gain acreages next year by seeing the commodity prices and even now, farmer is willing to only go for these two crops as the other commodity prices are not that lucrative and the yields are also good in these two crops.

**Moderator** Thank you. The next question is from the line of Dikshit Mittal from Subhkam Ventures. Please go ahead.

**Dikshit Mittal** Sir, just a follow up on this AP license pending on Kaveri, so what can be the impact, for example, if we assume the worst-case scenario that it doesn't get revoked, so what is the impact that can be expected next year?

**Mithun Chand** This year, we have sold around 8 lakh packets in total Andhra. That might be a larger impact, but that is too early to say.



**Dikshit Mittal** But sir, have you received the communication from the government regarding this or it is still media reported?

**Mithun Chand** Yes, we have received the communication that is where we have all given the required information for them, they are reviewing it and we have seen that it is not only for our company, there are 13 companies which got licensed and all the major companies are there in that, for example, major companies, we all don't deal with HT at all.

**Dikshit Mittal** And sir, we have not got any communication through exchange is on this, any particular reason for that? I think it is a material think, right?

**Mithun Chand** I don't think so because it is a part and parcel, it is not the first time, it is happening even last year, the license got cancelled and revoked, so usually they do it, but it is not a material impact for us and we are purchasing it and anyway, it is already there in the media, it is already there in the papers, so we are not hiding anything in that aspect, but because it doesn't make any material impact on our sale that is the reason we have not intimated it to the exchanges. If you see overall revenue as such, it is less than 5% of our overall revenue, not even 5%.

**Moderator** Thank you. The next question is from the line of Rohit Nagraj from Sunidhi Securities. Please go ahead.

**Rohit Nagraj** Sir, in the earlier quarter, the guidance for FY20 on cotton was about 15% growth and non-cotton about 20% growth, does that hold true for FY20?

**Mithun Chand** Yes, we still go with the same guidance.

**Rohit Nagraj** And in terms of the cotton seed inventories, has there any effect because of the monsoon on our inventories for the next season or we are comfortable with this 15% growth we already have the inventories in place?

**Mithun Chand** The inventories are in place, we got the inventory as planned and nothing changed in the inventory. As in one of the concall comments, I said that opening we are taking our utmost care in safeguarding and producing our inventory, so we are in line with the growth of the sales and the inventories are all as anticipated by us.

**Rohit Nagraj** And on the vegetable seed business, if you could just give little more colour in terms of how it has been shaping up because we believe this year FY19 and FY20, the growth would be significantly higher on the lower base?

**Mithun Chand** If you say taking the base of FY18, by FY19 we might end up closed by more than 50% to 60% more than in the last year sale, but going forward we see vegetable contributing a decent portion, at least close to Rs. 30 to 40 crore in the next 3 to 4 years. That is a good growth what we are anticipating and the margins are also very good in vegetables.

**Rohit Nagraj** Sir and one last question in terms of the exports market, you said that we have also got some licenses to other countries, so which are these countries and what is the potential that we are looking at?



**Mithun Chand** Basically now, we were doing only to Bangladesh, this year we have done to Nepal and parts of Pakistan and we have samples in Indonesia and Thailand, so we are targeting countries, which have similar crop portfolio, for example, the countries where I am mentioning where they have maize or rice as the main crop, so this is what we are exploring, so we have sent all our samples, we are getting a good response from that.

**Rohit Nagraj** Any ballpark numbers, say after 3 years we expect this must amount of contribution from the export market in terms of revenue?

**Mithun Chand** Too early to say just it might be good next season because we are just testing it. Once we get the full potential next year, then we can give a proper guidance, but definitely, the contribution will go up. It will be at least double in the next 3 years from what we do right now, but just I want to reserve my comments till next quarter.

**Moderator** Thank you. The next question is from the line of Nandan Vartak from Wealth Managers India Private Limited. Please go ahead.

**Nandan Vartak** If I reduce cotton sales number 6 months from 9 months, the amount is coming to negative Rs. 5.8 crore, so why?

**Mithun Chand** Yes, we get returns also because we don't sell anything in the fourth quarter and some sales hitting quantity will be there, so usually Rs. 4 or 5 crore plus or minus will happen. We take back the entire quantity whichever is there in the market, so we have an internal estimate, sometimes because of the huge quantity, some 40,000 or 50,000 packets will be left out, so that is the impact what we see.

**Moderator** Thank you. The next question is from the line of Nitin Gandhi from KIFS Trade Capital. Please go ahead.

**Nitin Gandhi** Can you share with me other income breakup for this quarter and 9 months as well?

**Mithun Chand** Other income, we have close to Rs. 9.5 to 10 crore for this quarter, I am sure, but this income is all generated by investing in debt funds.

**Nitin Gandhi** These funds are in a growth scheme, so that you can engage with?  
**Mithun Chand** The entire scheme we have mentioned in the website, even in the annual report we give the entire funding, you can always check it.

**Nitin Gandhi** Scheme wise it is given, but option wise, that is to receive dividend of growth that is not there, so that is why I was asking?

**Mithun Chand** I just need to check it out because most of them are FMP. I will just verify it and let you know but I can assure you that all are there in the debt funds.

**Nitin Gandhi** Yes, because this quarter entire EBITDA is made up from investment activity?

**Mithun Chand** Usually when we redeem the money, then you get the interest. We have redeemed a lot of portion here because of the buyback and other things. That is the reason the other income was higher in this quarter.





**Moderator** Thank you. The next question is from the line of Rishabh Bothra from ShareKhan Limited. Please go ahead.

**Rishabh Bothra** Sir, just wanted to check on your tax policy, what led to sharp increase in the tax rate in this quarter, was it related to other income or something else?

**Mithun Chand** Yes, because if you see the other income portion is more that is the reason the tax portion has gone up.

**Rishabh Bothra** Otherwise, generally it is 20% only.

**Mithun Chand** No, we claim it as an agriculture income, we don't pay any tax.

**Moderator** Thank you. The next question is from the line of Subrata Sarkar from Mount Intra Finance. Please go ahead.

**Subrata Sarkar** Just one question, would you please explain the matter of suspension of your license for Andhra Pradesh once more to help us understand the impact also?

**Mithun Chand** As I said earlier, it is a 2017 case, they again sought for a clarification that we have already given it to them. As of now, the license is under suspension but we have given the relevant documents, we are pretty sure that we will get back our license.

**Subrata Sarkar** It is like till this case gets resolved, we cannot sell in Andhra Pradesh?

**Mithun Chand** Yes that is true.

**Subrata Sarkar** And this suspension, is this only a suspension or it is a permanent closure as of now, what is the status exactly because?

**Mithun Chand** It is something that we should not sell. Anyhow, our season starts only in the month of June, it is specially nontrade comes in July, so we have time and we are not the only company, cancelled many other companies, but we are in touch with them.

**Subrata Sarkar** Sir, just to understand this suspension is, for example, you have challenged him, this is okay but as of now status is like as long as this stands as it is then we cannot sell it for indefinite period or only for next one year?

**Mithun Chand** It is only for one year, they have cancelled the license for one year. They have suspended the license. That depends on them. It is a temporary suspension.

**Moderator** Thank you. The next question is from the line of Sandeep Bharadwaj from Macro Capital. Please go ahead.

**Sandeep Bharadwaj** My question is about again the AP issue. Sir, don't you think you have a fiduciary responsibility towards the shareholders to inform the stock exchanges about the suspension as and when it happened rather than us learning it from the newspaper reports?

**Mithun Chand** That is what I explained earlier also. Don't think this has a material impact for us. That is the reason we have not informed to the exchanges. If you see overall revenue contributed by Andhra quarter is less than 5% of our revenue.

**Sandeep Bharadwaj** So that is close to about Rs. 50 crore.

**Mithun Chand** Yes, close to Rs. 50 crore.

**Sandeep Bharadwaj** So 50 crore of almost like 7% of your revenue from the corporate governance aspect of it, I think even it is 0.5% of the revenues or even Re. 1, anything that has to do with licenses or the government regulatory environment. I mean in this, you need to do inform the exchanges because learning it from third party sources and the company not updating is not good corporate governance.

**Mithun Chand** We will get back to you in this regard. I think we have consulted people because it doesn't make any material on our sales. That is the reason we do it and in our business is a very common thing.

**Sandeep Bharadwaj** I agree sir. It may come back, it will come back.

**Mithun Chand** We will again take an opinion about this and if it really make sense, definitely we will take your advice and intimate the exchanges the next time happens.

**Moderator** Thank you. The next question is from the line of Arun Baid from BOB Capital. Please go ahead.

**Arun Baid** Just one clarification. Nuziveedu was asked to pay Monsanto, what I learned they had dues because they did not pay the royalty or they paid lesser royalty, what is the amount due in case the same thing happens with us?

**Mithun Chand** We don't have any dispute with the Monsanto. We have already cleared the entire amount.

**Arun Baid** No, the dispute was that we paid lesser royalty because Monsanto had a prior part, Monsanto court ruling says that you have to honour the biparty agreement which you had which was based on dual companies, then what happened was government came in between and the sale at Rs. 49 and Rs. 39, but as per my understanding from industry, Nuziveedu has been asked to pay the entire difference which they have not paid and as per the agreement they had with Monsanto, not on Rs. 49 and Rs. 39, so assuming if that happens because we paid also Rs. 49 and Rs. 39 in the last two years, what is the amount you have to pay?

**Mithun Chand** I don't know the case exactly about what Nuziveedu and what you are mentioning about. As per our knowledge is concerned, Nuziveedu lost the case prior to the cotton right control order, so even in the agreement, it mentioned that if the statutory body is involved, we need to pay that. No company has dispute what this Rs. 49 and Rs. 39. The case is over the previous years which we have settled, basically 14-15 and 15-16.

**Arun Baid** So sir, as per newspaper reports and industry sources, Nuziveedu has to pay \$22.82 million to Monsanto because they have not paid?



**Mithun Chand** I don't know about that case in particular, but I am not a right person to comment on that case, but as far as my knowledge is concerned that is prior to this price control orders. I mean to say governmental intervened by cutting down the royalty to Rs.49 two years back and all the cases are pertaining, especially the arbitration cases are pertaining to years prior to that, 14-15 financial year and 15-16 financial year.

**Arun Baid** Just to correct, the reading here is very clear, it is relating to in 2015 and beyond that also when Nuziveedu did not pay and the government cut for Rs. 49 and Rs. 39 against which they went to the court and we were all party.

**Mithun Chand** Again I am reiterating, I don't know about that case, but we don't have any litigations with Monsanto regarding this 49 or 39 or any part of the royalty.

**Arun Baid** Monsanto has not approached us for any difference of amount, right sir?

**Mithun Chand** No, we are not liable to pay any amount in general.

**Arun Baid** I am just clarifying. There is no demand from Monsanto from us, right?

**Mithun Chand** No demand and we are not liable. Our agreements clearly mentioned that if the government fixes the price, we need to pay the same price and we are clearing the dues of that 49 and 39 year-on-year and we don't have any pending dues with Monsanto at all and no dues or no litigation or no demand.

**Arun Baid** Sir, second question was, this AP ruling came as a surprise and can it be followed by Telangana because technically they were the same states bifurcated recently, is it possible that Telangana can come with similar ruling?

**Mithun Chand** No because they have found out some traces somewhere else. It is not our company, they have not found out anything in our premises.

**Arun Baid** But Telangana government is not doing anything of this kind, right sir?

**Mithun Chand** No, we don't have any case at all. We don't deal with HT. If we deal, definitely they will come and they can prosecute anywhere, but we don't deal with HT at all.

**Arun Baid** Sir, basically you are trying to say that Telangana has no questions with regards to our quality or?

**Mithun Chand** No other state government has any questions regarding this with us.

**Moderator** Thank you. The next question is from the line of Rohit Nagraj from Sunidhi Securities. Please go ahead.

**Rohit Nagraj** Sir, what was the write-off for the first 9 months and what was the sales return in terms of percentage?

**Mithun Chand** The sale whatever we are mentioning here is net of sale returns. Usually, this year we got around 18% of our sale return if I am not wrong, but if you see our results whatever we mentioned is a net of sale details.

**Rohit Nagraj** And sir, inventory write-offs if any on the COGS front?

**Mithun Chand** Write-offs is close to Rs. 12 crore. I will check it and come back to it, close to Rs. 12 crore.

**Moderator** Thank you. The next question is from the line of Manish Desai from Sri Capital. Please go ahead.

**Manish Desai** Two questions, one is about EBITDA, if you take this other income out, then it appears that there is operating negative EBITDA, can you throw some light on that please?

**Mithun Chand** Because it is a very lean quarter, there are fixed cost and the depreciation cost which is fixed for us. Usually, the third quarter majorly constitutes of maize seeds, that is corn sales, but this year we are down by more than 30% in corn sales compared to the previous year, so that has impacted our margins.

**Manish Desai** What could be the reason for that sir?

**Mithun Chand** Because of fall armyworms which we have seen and many instance of fall armyworm and the acreages are down for maize. If you see the acreages, are down by 25 to 30% in Andhra.

**Manish Desai** So is this kind of one time happening??

**Mithun Chand** Based on the season, based on the pests, there are some shifts or some hits in the crops, so this year we are seeing that sort of hit in maize crop.

**Manish Desai** But overall for the financial year, are we looking to be on track for meeting the guidance which we had given earlier?

**Mithun Chand** Most of the season has already been completed, we don't expect any sale in the fourth quarter. We are slightly down in terms of maize, in terms of the guidance that too is impacted by this third quarter sale.

**Manish Desai** Second question is pertaining to this license in Andhra Pradesh sir. I have very simple question. What is the reason for suspension as you recently mentioned it is a temporary suspension, what is the reason for this and when you say many companies or licenses are suspended for all the companies or just a few companies?

**Mithun Chand** They have suspended license for 13 companies.

**Manish Desai** Does it talk about the size of the market, these 13 companies constitute what percentage of the size of the market?



**Mithun Chand** In 13 companies including ours it is suspended.

**Manish Desai** In Andhra Pradesh.

**Mithun Chand** They have close to 60% market share.

**Manish Desai** And what is the reason for this?

**Mithun Chand** Basically, they have found some herbicide tolerant gene in some of the production plots. It is very technical, if someone is technical they can understand it, if you want to have the expression of that gene, it should be more than 90% but due to cross pollination because usually in the farms when we produce cotton hybrids, we take lands on lease and then produce. We don't have any control on the other farmers who are producing adjacent. So usually if someone is producing HT cotton, illegal cotton, the pollen may fall on our hybrids and it may get contaminated, so that we take out in quality check. If we find any HT gene in our hybrids, we discard that one. So the entire process is pre-quality check, so that is the reason, even the expression was only 5% in some of the hybrids. That quantity is very small. For that they have issued show cause notice. We have already replied to them, after that we sold last year seeds, I mean it is 18 Kharif, now we have got the license suspension order, so again we are giving entire documents.

**Manish Desai** I am getting you, but you also mentioned that this is kind of a routine thing or it happens normally in the industry, so do you mean to say that we have experienced this kind of suspension of license earlier else well in Andhra Pradesh or in other states? And has it been quite frequent.

**Mithun Chand** Yes, usually whenever you get a complaint, they usually cancel the license and then they view it because our season lasts for only 2 or 3 months, so we have plenty of time.

**Manish Desai** Thank you. The next question is from the line of Ranjit Cirumalla from B&K Securities. Please go ahead.

**Ranjit Cirumalla** Couple of questions on my side. Would it be possible for you to give a split of 6.1 million tonnes of cotton seeds this year for 9 months across geographies?

**Mithun Chand** I don't have this bit as of now, but ballpark I can give you. Combined Andhra was around 17 lakhs, 8.5 each from Telangana and Andhra, Maharashtra was close to 20 lakhs, Gujarat was close to 6 lakhs and rest of India all other packets.

**Ranjit Cirumalla** Sir, any particular reason why we have seen healthy fall in the AP and Telangana market over the years?

**Mithun Chand** Sir, we had high market shares earlier, now in fact from the peak point the acreages are also down, but as rightly said we are even down in terms of the market share point of view as well, but with the recent launch of money maker we think we can get back our market share in the next 2 to 3 years, not as high as what it was in 14-15, but much better than what we have right now.



- Ranjit Cirumalla** Would we have a hang of the cost of production for the next year, particular to the cotton seeds?
- Mithun Chand** Production cost, will be in line with last year or slightly lower than last year because we have got very good production, we have managed well in terms of the pink bollworm, so we think that we may see 1 or 2% down in terms of the production cost compared to previous year.
- Ranjit Cirumalla** Would there be any incremental cost to would you be again rechecking the existing inventory for the HT thing?
- Mithun Chand** Whenever we pack the seeds, whenever we take the seed after the quality check, we take all the parameters and even if you see there are many sorts of checks government does very frequently and they have not found anything HT and we don't deal with anything in HT at all. As a company, we don't have license, we don't deal with products there, as we don't have the license.
- Moderator** Thank you very much. That was the last question in queue. I now hand the conference over to Mr. Mithun Chand for closing comments.
- Mithun Chand** It has been 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 further questions or would like to know more about the company, kindly reach our investor relation desk. Thank you.
- Moderator** Thank you. Ladies and gentlemen, on behalf of Kaveri Seed Company Limited that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.