

20th February 2017

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MUMBAI - 400 001

National Stock Exchange of India Ltd.
Exchange Plaza, 5th Floor,
Plot No.C/1, G Block,
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MUMBAI - 400 0051

Scrip Code : 532899

Scrip Code : KSCL

Dear Sirs,

**Sub: Transcript – Kaveri Seed Q3 & FY 2017 Results Conference Call on
Thursday, 02nd February 2017 - Reg.,**

Please find attached herewith Transcript of Kaveri Seed Company Limited Q3 & FY 2017 Results Conference Call made on Thursday the 02nd February, 2017. The same was displayed at our Company's website: 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

Q3 & 9M FY17 Earnings Conference Call Transcript

February 02, 2017

Moderator: Good Day, Ladies and Gentlemen and a very warm welcome to the Kaveri Seeds Company Limited Q3 & 9M FY17 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 now hand the conference over to Mr. Vikram Rajput from CDR India. Thank you and over to you, sir.

Vikram Rajput: Thank you. Good evening, everyone and thank you for joining us on Kaveri Seeds Company Limited's conference call. We are joined today by G.S. Satish - Chief Operating Officer of the Company and Mr. Vijay Kumar - CFO of the Company.

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 Mr. Satish, who will share updates on the market environment and take you through the strategic imperatives of the company; he will be followed by Mr. Vijay who will share his thoughts on the performance during the period under review; we will then have the forum open for Q&A Session. Now, I will invite Mr. Satish to share his views.

G.S. Satish: Thanks, Vikram. Good afternoon and a very warm welcome to all of you. I will start by giving you the industry backdrop and then spend time on our performance.

While there have been minor blips like rainfall in Oct-Dec quarter being below normal, pink bollworm reported in few states for extended crop and demonetization resulting in slowdown in collection in the month of Dec; the structural story around FY18 and beyond for the Indian seed industry remains strong. The moderation in cotton growth in FY17 is being offset by growth in maize, pulses, vegetables, etc. As on date, Rabi acreage is up by 6% and maize acreage up 10%. Maize acreage moderated in Bihar and Coastal AP but was compensated by higher acreage in Telangana, Maharashtra and Gujarat. Q3 FY17 is primarily driven by Maize since

more than 60% revenue comes from this crop. There has been marginal drop in volume which has been compensated by higher price. There has been drop in Bihar and West Bengal which we have been able to compensate by volume increase in AP and Telangana. We had participated in a Government program last year in Chattishgarh in Q3 which was not there this year. All signs point towards a healthy recovery for the next Kharif. This time around, the monsoon has been normal. Surplus rains in last 2 weeks of September in Central and South India resulted in an extended cotton season, enabling an improvement in farmer income with additional pickings. Further, cotton yields are projected to be higher by 10-12% YoY. The cotton produce prices have risen sharply as on Jan 2017, which augurs well for the coming Kharif. Lastly, pulses and soyabean prices have dropped, which will lead to increased sowing for cotton & maize in the upcoming year.

At this stage, more than 50% of our cotton seed production has come in and this year cotton seed production is projected to be better than last year both in terms of quantity and quality; and current recovery rates are higher than last year. This year, we have taken a conscious decision to produce a major portion of selection rice in Kharif rather than depend on Rabi season production since it used to put lot of pressure on supplies to market in time. Further, Rabi Maize and hybrid Rice seed production remain on target.

Coming to our performance, if we look at specifics of each crop performance for Kaveri, in 9MFY17 we have sold 5.4 million cotton packets this year as compared to 5.5 million cotton packets last year, a 4% decline compared to 15% decline in industry volumes. We have recovered market share and it has improved from estimated 13% to an estimated 14.5%. This has been enabled by good performance of our cotton hybrids Jaadoo and ATM which have been consistently performing better than competition. We have gained market share across states including AP and Telangana.

Kaveri Seeds' non-cotton story continues build progressively. In 9M FY17, maize volumes grew over 20% YoY to 10,449 MT as compared to 8,721 MT. This is a combination of acreages growth across the states and our industry leading supply chain efficiencies. Revenues continue to benefit from higher volumes and our portfolio shift towards high price products. Our gross revenue for Maize for 9M FY17 is Rs. 188.43 crore as compared to about Rs. 148.53 crore for the corresponding period last year. Whereas our Rice performance has moderated a bit, due to decline in hybrid rice volumes.

Our diverse and farmer-centric product portfolio continues to expand progressively. During our last 2 concalls, I shared details on several new hybrid launches. All launches and scale ups remain on schedule. We have reduced our R&D resourcing in sunflower and will be redeploying the same in cotton and pearl millet as we do not see sunflower acreage reviving in near term. Product lifecycle in sunflower is long and our portfolio of sunflower is robust to cater to market requirement for many years to come. We have identified cotton, maize, rice, pearl millet and vegetables as core crops and our R&D investments remain focused on these core crops

Looking ahead, we believe we have the capability and the commitment to help make a difference in the food and nutritional landscape of India. Our cotton business is shaping up well and we expect increasing contribution from non-cotton business. We have confidence in our ability to take advantage of the growth opportunities which are clearly identified and we continue to remain focused on them without any change. We have the levers in place to deliver profitable growth and expanding value to our stakeholders.

With that, I invite Vijay to take you through the Q3FY17 performance.

G. Vijay Kumar:

Thank you Satish. Good afternoon and thank you all for joining us on the call today. I will start by recapping the financial highlights for the quarter and nine months and then focus on providing you some flavor around the numbers and our journey forward.

In 9M FY17, Revenues stood at Rs. 629.6 crore as against Rs. 675.4 crore in 9M FY16. In Q3 FY17, Revenues stood at Rs. 67.9 crore as against Rs. 69.8 crore in Q3FY16. Most of you are aware; Revenues have been impacted by reduction in hybrid cotton seed price along with moderation in cotton seed volumes. The selling price of hybrid cotton seed has been reduced as per the CSPCO (Cotton Seeds Price Control Order) 2015 and Price Notification issued by Ministry of Agriculture. Quarterly, maize performance has been impacted by lower acreages in Bihar and coastal Andhra Pradesh.

In 9M FY17, EBITDA stood Rs. 197.6 crore as against Rs. 204.7 crore in 9M FY16, translating to an EBITDA margin of 31.39%. In Q3 FY17, EBITDA stood Rs. 13.5 crore as against Rs. 18.7 crore in Q3FY16, translating to an EBITDA margin of 19.90%. In 9M FY17, PAT stood Rs. 165.7 crore as against Rs. 182.7 crore in 9M FY16, resulting in a PAT margin of 26.31%. In Q3 FY17 PAT stood Rs. 3.6 crore as against Rs. 11.7 crore in Q3FY16. Profitability has been impacted by write-off of Rs. 7 cr in Q3FY17 as against none in Q3FY16; Rs. 5.22 cr of CSR expense in Q3 FY17 as against Rs. 0.55 cr in Q3 FY16 and significantly higher Other income resulted in higher capital gains tax translating to higher tax outflow.

We have provided reconciliation between the profits as reported earlier and the Ind AS recast profits for the quarter and nine months ended December 31, 2016 in the our presentation as well as the results sent to the exchanges. The biggest item to be impacted is Sales Schemes. Amount of "Sales Schemes" earlier grouped under "Other Expenses" representing amounts in the nature of discounts and rebates, now have been reduced from Net Sales as a result of Ind-AS adjustment for quarters 31st Dec 2016, 30th Sep 2016, 31st Dec 2015 and for the nine months ended 31st Dec 2016 and 31st Dec 2015. Schemes & incentives which typically would form 18-20% of Revenues would as per Ind-AS not form part of Revenues.

I am pleased to share working capital management continues to remain strong. Debtors stood at Rs.194.52 crore as on 31st December 2016 whereas on 31st December 2015 was Rs.192.02 crore whereas on 31st March 2016 it was at Rs.63.14 crore. Receivables reduced to Rs.194.52 crore as against Rs.250.18 crore on 30th September 2016. Total cash on books stood at Rs.537.94 crore as on 31st December 2016 as compared to Rs.493.25 crore as on 31st March 2016. I understand we will get queries on the utilization of cash, so let me share our views upfront. We are cognizant of the high cash figure on our books. Let me assure you, we are focused on distributing capital to our shareholders, as it has been our corporate philosophy. As stated earlier, we will come back on Buyback or Dividend payout before or along with Q4 results. This is all I can share at this point.

Lastly, the Board has approved an investment of Rs. 39 cr for the purchase of office space, Interior designing & development and furnishing at Secunderabad, Telangana and has also approved investment of Rs.9 Crore in Kexveg India Private Limited, which is 100% Wholly Owned Subsidiary of the Company.

On that note, I conclude my opening remarks. We would be happy to take you our perspective on any questions that you may have.

Moderator: Thank you. We will now begin with the Question-and-Answer Session. The first question is from the line of Niket Shah from Motilal Oswal Securities. Please go ahead.

Niket Shah: Sir, just wanted to understand, you said write-off in this quarter has been around Rs.7.5 crore Vs nil of last year same quarter. Can you just explain what is it on account of?

G. Vijay Kumar: This is all field crops old stock, like maize, paddy, bajra and rest of the items which are not met specific quality standards. We have written off of Rs.7.16 crore in the Q3 whereas last year in Q2 itself we made all write offs.

Niket Shah: So basically these are some of those inventories where the shelf life has already gone through and is still sitting in the inventory which you have now written off?

G. Vijay Kumar: Yes exactly.

Niket Shah: How much of such stock will be additionally that because if I am right in the second quarter also in the con-call you had guided that incrementally now there is no significant write-off likely to come off as we go forward, so just want to get some sense on that?

G. Vijay Kumar: In the last call also, our colleague Mr. Satish clearly mentioned that 4% to 5% of revenue normally is for write-off. It's an ongoing process, as and when quality reports are coming, we will write off.

Niket Shah: So the write-off is going to be a permanent process or regular process as we go forward depending on how is the season, which crop, what kind of inventory levels that you have?

G. Vijay Kumar: Yes, one is inventory level, another is product quality, quality of the monsoon, it will depend on all those things, and it will vary.

Niket Shah: How has been the performance of ATM and how do you see that performance at least for the next year season?

G.S. Satish: ATM performance has been very good especially in the states of Gujarat and Maharashtra where we expect the growth of ATM to continue. The performance of Jaadoo has been pretty good in the states of AP and Telangana. So expect ATM to be the growth engine for the Gujarat and Maharashtra, Jaadoo performance will lead up to growth in AP and Telangana.

Niket Shah: On the crop dynamics part of it, given the way your cotton price have now started to move up, as the farmer which is more remunerative today, is it cotton crop versus pulses or soybean for that matter, because Kharif you will have three or four major competing crops namely these four of them, at this point in time assuming prices remain the same till the Kharif starts, will cotton be more remunerative than other crops?

G.S. Satish: With the current cotton produce price crossing Rs.6000/quintal, from net income perspective, that is the most profitable crop. In terms of pulses, large part of pulses acreage went up for red gram, the current prices are hovering below the minimum support price, last year same time to the farmer it was ranging about Rs.100-115 a Kg, currently, it is about Rs.40-45, so it dropped substantially. Cotton has moved up. Initially there was a spurt in the Maize prices but it has not moved substantially

after the initial spurt which was there. Soyabean has actually remained at nearly the same level. So at the current commercial prices and yields which the farmers have got, cotton is the most remunerative crop at this point of time. So we expect the cotton acreages to go up in the coming Kharif season.

Niket Shah: On the initial remarks where you said that this year at least the production part of the cotton has been fairly strong for you, is it largely on account of yields being improved and if that is the case does it mean that the cost of production of the seeds is much lower this year than last year?

G.S. Satish: This year, overall monsoon was quite good and seed production area also had a very favorable climate. So overall the quantity and the quality of the seed is far superior than what we had last year. And the incidents of pink bollworm also were substantially lesser than last year. So the reason for higher productivity is good growing condition and the quality is primarily because the seed size has been pretty good with very little damage of the pink bollworm. The current running recovery rates are substantially better than last year. So if the rest of the 50% processing, the current trend continues, so we expect a lower cost of production as compared to the previous year.

Moderator: Thank you. The next question is from the line of Trilok Agrawal from Birla Sun Life Insurance. Please go ahead.

Trilok Agrawal: Wanted to check, when you mentioned the ATM is doing very well in Maharashtra and Gujarat, could you share what is the growth that you are seeing in that ATM? Also, what would be your market share in these markets versus last fiscal?

G. Vijay Kumar: Our estimated market share for state of Maharashtra should be around 10% and our market share in Gujarat is about 7%.

Trilok Agrawal: So, what would be the volume growth in these two states for you for this fiscal year '17?

G.S. Satish: We have grown more than 20% in both the states.

Trilok Agrawal: You stated that it is obviously more remunerative for farmers to plant the cotton given the recent rise in prices. What is your assessment of the acreage that could go away...is that fair to make assumption of 10-15% next year?

G.S. Satish: Overall acreages drops by more than a million hectare this year and that loss of acreages which happened this year should bounce back in the coming year. So the acreages should go up by about 10-15% overall in the next Kharif season. Primarily the drop was in AP and Telangana was much bigger than any another state. AP, Telangana drop was in the range of 25-30% as compared to last year and if you look at our market share, we are the biggest player in AP and Telangana. AP and Telangana coming back next year with our market share we should gain substantially in terms of the volume. Crop performance has been good in these states, so we are confident that acreage would bounce back in AP and Telangana.

Trilok Agrawal: So essentially you are saying is given a strong market you will probably jump faster you might even benefit in that context?

G.S. Satish: Yes, overall acreages going up and our hybrid performance doing quite well we have strongly positioned to capture the increasing acreages for the coming season.

- Trilok Agrawal:** Could you also share when you talked about quality and quantity of your seed being better, so is the cost of production is lower compared to last fiscal?
- G.S. Satish:** Currently, we only have got 50% of the intake going on, so we would still wait for the balance 50% to come in. With the current recovery rate we are looking at a reduction in the cost of goods.
- Trilok Agrawal:** So you would not be able to share the percentage, is that correct?
- G.S. Satish:** It is too early for us to share that cost of goods, we need to take the full intake to really understand the impact.
- Moderator:** Thank you. The next question is from the line of Abhijit Akella from IIFL. Please go ahead.
- Abhijit Akella:** First just to understand the margin for this quarter, even if I add back the Rs.12 crore-odd of one-off items that you disclosed, the EBITDA margin that I arrive at excluding other income is about 22%. I would have expected a considerably better margin because corn I believe is a very profitable crop for you, I would have expected around close to 35% or so. So is there any reason why corn margins are a bit lower or is it that other seeds margins are a bit lower this quarter?
- G. Vijay Kumar:** Corn, we have done around 63% of total business in this quarter, but other seeds margins are a bit lower.
- Abhijit Akella:** So you are saying in terms of gross sales, corn has done I think Rs.54 crore this quarter?
- G. Vijay Kumar:** I am talking about net sales.
- Abhijit Akella:** So corn you are saying the margins are normal but other seeds are lower is it and which seeds and why are the margins lower there?
- G. Vijay Kumar:** All other crops like paddy, sunflower, bajra, rest of others is less.
- G.S. Satish:** Specific one, sunflower as a crop is extremely profitable crop in terms of margin. This year compared to last Q3 to Q3, we have had substantial reduction in our Sunflower volume. Actually some returns had come. So sunflower being extremely profitable in terms of margins, it has dragged down the overall margins of the portfolio as such for the crops.
- Abhijit Akella:** How much would Sunflower sales be this quarter and nine months versus last quarter and nine months?
- G.S. Satish:** This quarter Sunflower is negative; we had some sales return actually from the last quarter, Sunflower overall has dropped by nearly 50% as compared to last year for the whole nine months.
- Abhijit Akella:** On corn, there is no dent on margins. So looking ahead to next year now, can we expect these margins to look better next full year because the other seeds start to do better, how should we think about it?

- G. Vijay Kumar:** Full year we are expecting the cotton will do better. As we mentioned, cotton acreage will increase. So once that increases then we will also grow along with the market. So next year margins will be better than this year.
- Abhijit Akella:** I was talking specifically about seeds other than cotton and corn. On those you have said the margins are depressed this quarter. So next year can we expect the margins to be better in those?
- G. Vijay Kumar:** In Maize, we have done well this quarter also, only sunflower is negative. So let us hope next year also will be good.
- G.S. Satish:** Margins would also depend on our pricing strategy. It is a bit early for us to see whether we would be able to take a higher price compared to last year. In Maize, we had clearly focused on to changing our portfolio towards higher price and higher margin products. So we expect some gains coming from a portfolio change which we have done this year and going forward also. As we come closer to the season, we also have to look at the overall crop sentiments and the farmer propensity to grow and to pay for the particular hybrid. There is nothing negative against maize as well as bajra and hybrid rice. We expect that the margins which we have should continue and we will look to improving few percentage points overall both in terms of our pricing, portfolio change and in terms of cost structure.
- Abhijit Akella:** Second, you mentioned that inventory write-off you would expect would remain around 4-5% of sales going forward. How much will it be in FY17 for the full year do you anticipate?
- G. Vijay Kumar:** Every month based on the quality reports we are doing that. As on date, we cannot conclude because only January is completed for this quarter, I have to wait for the February-March reports from the quality department.
- Abhijit Akella:** But just trying to understand, whether this year it will be substantially higher than 4-5% or in line?
- G. Vijay Kumar:** In line.
- G.S. Satish:** 4-5% we indicated it last time. Just to give an indication, it would be good for us to just take a range of 5-10% in non-cotton business. In a very good year if we do extremely everything well, we will still do about 5%. In a year when we are having a lot of inventory, returns going up, that could go up to about 10%. So we should consider a range of about 5-10% depending on how the whole season goes. 5% is a very aggressive number to perform year-on-year on that. As we just said, it is pretty early for us to look at FY18. Current inventories are substantially lower than last year. So that is just a lead indicator of everything going well. Hopefully we should be in the bottom range rather than the upper range of the write-off.
- Abhijit Akella:** I believe corn yields have been quite bad in some of the southern states and there are fears that farmer sentiment might be impacted because of that towards planting corn. So do you expect a drop in the corn market for next year's Kharif or do you think it can hold up in your key states?
- G.S. Satish:** You are right that especially the Kharif crop was not very good in some of the states because of the drought condition which was prevailing during the flowering time. There could be a slight dip in the overall acreages in some of the key states which could translate partly to cotton also. So we would be still positioned to gain that in terms of our cotton volumes. Our major sales come from AP, Telangana and

Karnataka. It is a bit early for us to say which state will go towards which crop. We are expanding our footprint in the other states, where our market shares are much lesser. So we expect to continue to hold to our volumes what we have done this year and try to grow in some of the newer markets. For sure there are some markets where the acreage reduction would turn into a reality.

Abhijit Akella: One is if you could just talk about Microteck performance this year in terms of the revenue and EBIT we have done so far? Second, regarding the Kexveg investment of Rs.9 crore, what exactly is the plan behind that, what is your outlook and your strategy for that business?

G. Vijay Kumar: Microteck , now itself I cannot share the unaudited results, I will come back with all subsidiaries companies' results along with Q4. Kexveg we are already having some plans about that investment, we spent some money and some more thing we are planning to invest for export oriented products and all. So further, we have taken approval for Rs.9 crore investment.

Moderator: Thank you. The next question is from the line of Chetan Thakkar from ASK Investment Managers. Please go ahead.

Chetan Thakkar: Just wanted the Hybrid Maize volume for nine months and the Hybrid Rice volume if you can share that?

G.S. Satish: Chetan, Maize volume stands at 10,449 MT compared to 8,721 MT for last year.

G. Vijay Kumar: For hybrid rice, overall rice volume is there, that is last year around 7,080 MT, this year around 6,956 MT.

Moderator: Thank you. The next question is from the line of Jigar Valia from OHM Group. Please go ahead.

Jigar Valia: Sir, can you give some color on the credit versus non-credit markets, how are they growing in, some inputs on the advances for the next season?

G. Vijay Kumar: Coming to the credit versus non-credit, last year we have taken calculated step to not give any credit to larger markets, except some pockets of the Telangana where we had given some credit based on our relations with some of the dealers. So maximum we are focusing on cash business only. Few markets depends upon the sales and movement of the business, at that particular time we had taken a call and we had given to Telangana and AP markets.

Coming to the advances, due to demonetization effect, slow progress is there, We actually kick started this advance program itself in the January, we used to do it in December, we just postponed t couple of weeks, and we started in January. As on date, progress is bit slow. We have also seen in the market all the farmers and dealers have invested on different products, they are unlocking and giving to us. It is taking some time, but we hope that we will again achieve the target figures..

Jigar Valia: Si Nuziveedu participating in the market with their old inventory?

G. Vijay Kumar: I can't comment on that, I can comment on my company.

Jigar Valia: For cotton, would AP, Telangana constitute more than 65-70% for us at the moment or it would be less than that?

G. Vijay Kumar: Around 49%.

Jigar Valia: Mostly towards more on equal installments or still towards AP?

G. Vijay Kumar: We can say that 50:50 last year.

Jigar Valia: Can you help us in terms of the overall cotton industry acreage in these two states in the current season and how much do we expect that to improve next season?

G.S. Satish: Rather than acreage it would be good to look at market size estimate, currently our estimate is these two constitute to about 25% of the total in terms of packet.

Jigar Valia: Which can go up to 30-33% probably should the acreage improve in these two states?

G. Vijay Kumar: Next year we are hoping that.

G.S. Satish: If you compare that to similar line for FY'16, so these states contributed about 28% of the market.

Jigar Valia: So for substandard Sunflower doing negative sales, what is the P&L impact from the sales return this year?

G. Vijay Kumar: Value wise for the Q3 is only Rs.15 lakhs, whatever Q2 sales was returned in Q3.

Jigar Valia: So from a full year or nine months perspective, what is the P&L impact versus last year?

G. Vijay Kumar: More than 50% reduction in the Sunflower business compared to last year of Q3.

Jigar Valia: In value wise what would be the sales for Sunflower?

G. Vijay Kumar: Value wise last year we have done around Rs.10.77 crore up to Q3, net I am saying, net sales of this year up to three months or nine months is Rs.3.55 crore as per IND AS.

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

Mithun Mehta: So basically just wanted to ask you that how much expense did we do on the R&D this year versus last year?

G. Vijay Kumar: More or less similar lines it is there, last year we spent up to nine months around Rs.9.71 crore, this year around Rs.9.25 crore.

Mithun Mehta: Sir, in terms of debtors receivables, is the situation now more or less normalized?

G. Vijay Kumar: In Q2, it was Rs.250 crore, now which is around Rs.194 crore, actually in November good collections were there, December was affected due to demonetization, now slow progress is there, there is bit improvement in January.

Mithun Mehta: We are anticipating that due to product mix better cost structure we would be able to better our margins. So if you look back into history three-four years back margins

between 21-23% and that has actually gone up to 31% despite all the problems that we witnessed in terms of royalty, in terms of returns, in terms of everything, two bad year monsoon but the P&L actually has strengthened. So can you help us to understand as to what has resulted into this better margin? What are the further levers to improve upon? So it is actually going to be COGS or it is going to be below COGS or your other expenditure?

G. Vijay Kumar: COGS improving, other crops are growing good margin this year and that is also leading to a good margin. Other expenditure is also intact, we have a tight expenditure flow.

Mithun Mehta: In terms of expanding your management bandwidth, have you hired any senior people in last one year in your R&D, sales or has there been any new hiring done?

G.S. Satish: In the little longer timeframe, we have developed the whole management bandwidth., We have had a new sales manager who joined in 2015, there is a new supply chain head who came from Syngenta, he has a lot of experience working with multi-national company, he came on board again in June 2015, Vijay came on board last year February. So we have strengthened heads of department. We have also decided to carve out the vegetable as a separate focus business for us, currently the contribution of vegetables is very small. , In the last 1.5-years we have hired breeder from a multinational company to head our vegetable R&D. We believe that vegetable sales and marketing also requires a different focus. So we have had sales head from a leading vegetable company. He came on board about similar time like Vijay. So we have strengthened our heads substantially. Below them also we have hired lot of people in sales from various companies. So the organization structure has been strengthened quite a bit. We are looking out to strengthen our R&D and hopefully we will have somebody on board quite shortly for the R&D also.

Mithun Mehta: You said you had a new sales head, is he from a multinational company?

G.S. Satish: He has experience working with both multinational as well Indian companies.

Mithun Mehta: You seem to be also putting lot of energy on your new venture for Kexveg. It is in a very-very initial seeding stage where we are investing in this venture. Have you placed a particular capital outlay for this particular venture and would the economics be as similar as to our hybrid seed business, would there be any differential economics?

G. Vijay Kumar: Both are different synergies. Kexveg is concentrating on export-oriented business, we are planning separately for that. These hybrid seeds and the vegetable business is different.

Mithun Mehta: No-no, I am saying in terms of margins, in terms of how much you can scale the Kexveg part of the business, how much you will invest in next three years, so have you kind of worked on these numbers or ...?

G. Vijay Kumar: This money is for next couple of years only, not immediately, then we will get a clarity on the total business.

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

Dheeresh Pathak: Can you give me the cotton inventory that you are sitting on as of today?

G.S. Satish: Sorry, that will be competitive intelligence information. Going forward it will be difficult for us to share some information which are sensitive and can be used by competitors to build up their strategy. Rest assured, the current inventory plus the fresh production which we are expecting, we would be in a position to supply more than what we have sold this year to cater to the increased market growth which is expected. So if we keep our returns lower than in the past, yes, we would likely go back to our previous year sales numbers.

Dheeresh Pathak: For Cotton business, gross revenue is mentioned on Page #13. Can you share the net revenue and corresponding income?

G. Vijay Kumar: Rs.350 crore and last year corresponding income not there with me right now.

Dheeresh Pathak: How much capital have you invested in Kexveg so far?

G. Vijay Kumar: Around Rs.6.6 crore invested and further we are planning to invest another Rs.9 crore.

Dheeresh Pathak: Also, state wise like nine months' cotton packet breakup, there is one which is given for FY'16 and '15 in the presentation; can you share for nine months?

G.S. Satish: We are just waiting for some bit of sales to happen for the last quarter. So we will come back with state wise breakup as we end the year and then we will give you the breakup compared to the full year for the whole year next quarter.

Dheeresh Pathak: Overall company is down 4%, market is down 15%. For your main regions, can you give a flavor like which region was down more, which was up more, you mentioned I think Gujarat and Maharashtra up 20%?

G. Vijay Kumar: Telangana and AP has come down whereas we gained in Maharashtra and Gujarat and that was compensated a bit.

Dheeresh Pathak: Gujarat, Maharashtra up 20% each nine months. AP, Telangana?

G.S. Satish: Acreage is down by 28%, our estimate is that we should be down by about 20%.

Dheeresh Pathak: So you would have not lost share in AP and Telangana as well, right?

G.S. Satish: We have gained marginal market share in AP and Telangana because the market has gone down by about 28% whereas we have just gone down by about 20%.

Dheeresh Pathak: So is there any other market like Maharashtra, Madhya Pradesh and Karnataka where we have lost share?

G.S. Satish: We have not lost share, we have actually gained in Madhya Pradesh, we just marginally lost in Karnataka.

Dheeresh Pathak: Rice as we see it the volumes are flat for three years and we have a very low market share. Why is that in rice we are not able to grow ahead of the market?

G.S. Satish: Two things, Dheeresh; one, overall the market of hybrid rice itself has not been growing at a pace which the whole industry expects, it has been flat or grown marginally. So that is overall at industry level. There was government support

earlier, which has reduced, that has also impacted a bit. So the overall industry is grappling with the lack of the market growth.

In our case, our dependence on one hybrid has been very large and we have launched the new hybrid last year. We are going to launch a new hybrid in the coming year. These two new hybrids are substantially better than competition. So we expect growth to come now from these two new products in hybrid rice. The scale up is going to happen in the next few years. So we expect the market share to improve in hybrid rice in the coming years. In terms of the selection rice, which is other part of the rice business, we were constrained by production issues and our processing and packing issues. Investment in Molangur plant which has been commissioned is primarily dedicated to the varietal selection rice business will help us to be there in the market in the right time. As I mentioned earlier, this year we have taken a conscious decision to produce most of our varietal rice in the Kharif season and the season has been very favorable. So we would be in a good position with volume and market share in the varietal business for the coming years. So we expect hybrid rice and varietal rice business to be far better than what we have done in the last few years.

- Dheeresh Pathak:** What you show on Presentation, Slide #13, that includes both hybrid and varietal, right?
- G.S. Satish:** It is a combination of both, yes.
- Dheeresh Pathak:** What will be the share of hybrid in this Rs.76 crore or the nine months?
- G.S. Satish:** It is about 1,500 MT of hybrid rice for us.
- Dheeresh Pathak:** Over the last three years, is the share of hybrid corn up or it has been flat because volumes were pretty much flat at 7,000 for nine months for last three years, would hybrid also be flat at 1,500 or is hybrid increasing in the mix?
- G.S. Satish:** No, the hybrid composition has marginally come down this year as compared to last year.
- Moderator:** Thank you. The next question is from the line of Dhananjay Rawat from PiSquare Investments. Please go ahead.
- Dhananjay Rawat:** Considering the sort of cash that we have sitting on in, is there a buyback in the pipeline?
- G. Vijay Kumar:** Either buyback or dividend we will come back along with Q4 results.
- Moderator:** Thank you. The next question is from the line of Nitin Gosar from Invesco Mutual Fund. Please go ahead.
- Nitin Gosar:** Sir, just wanted to check on the industry size. Did we indicate that the industry size for the current year would be around 3.7 crore packets?
- G. Vijay Kumar:** Yes.
- Nitin Gosar:** This is down by 10% if I were to look the year-on-year change?
- G. Vijay Kumar:** Yes, roughly 11-12% reduction is there compared to previous year.

Nitin Gosar: You also mentioned about the advances were not as per what it would have been because of the demonetization impact. So does it mean that the advances may not be high to the tune and commensurate discount that we offer, the distributor may also not be there?

G. Vijay Kumar: No, it is not like that, advances collection progress is very slow, but we will achieve the advance target by February/ March. As soon as demonetization was announced, people locked their money in different instruments, they have to unlock and give it to us.

Nitin Gosar: The target should be around Rs.200-220 crore kind of advances?

G. Vijay Kumar: Hopefully.

Nitin Gosar: Sir any update on the BT court case?

G. Vijay Kumar: No, it is still under the judiciary, we have not heard anything from them.

Nitin Gosar: There should be any verdict around by 1st March or by 31st March so that companies can prepare accordingly?

G. Vijay Kumar: As on date, we are not aware anything from the judiciary, we cannot comment also.

Nitin Gosar: Sir, on Kexveg, you mentioned about Rs.6.5 crore invested as of today and further Rs.9 crore getting invested over a period of next two years, so roughly around say Rs.15 crore is what we are talking about on CAPEX front. This is more to do with the sheds and all or what kind of investments we are talking about this?

G. Vijay Kumar: Yes, on the sheds and all.

Nitin Gosar: This is more to do with the premium vegetables for exports?

G. Vijay Kumar: Correct.

Nitin Gosar: Sourcing would be done through Kaveri and not the actual cultivation, we are just the aggregator and we are not the cultivator of this vegetable, right?

G. Vijay Kumar: We are doing cultivation also independently through sheds and all.

Moderator: Thank you. The next question is from the line of Shekhar Singh from Excelsyor Capital. Please go ahead.

Shekhar Singh: I just wanted to know in terms of CAPEX, are there any big requirements other than the ones that you mentioned in say next year FY18?

G. Vijay Kumar: Next year we are just estimating, we will get clarity in couple of months.

Shekhar Singh: I am not wanting the exact numbers but just like say one, two year CAPEX, is there some big project or something which is coming up?

G. Vijay Kumar: '17-18, two types of CAPEX is already there; that is already disclosed in the Q3 results, one is purchase of office and interior development and designing and furnishing; second is we are going for SAP implementation, ERP, that will also

have some CAPEX requirement, hardware, software and SAP HANA License cost. Apart from that, regular plant and machinery, not much expansion is there but there will be small portion of investments, either replacements, repairs, something will be there.

Moderator: Thank you. The next question is from the line of Shashank Kanodia from ICICI Securities. Please go ahead.

Shashank Kanodia: Sir, if you can just share your sense from the union budget release yesterday as in there were a lot of farm push and that has been the case in the previous year as well, so what exactly were key takeaways for us?

G.S. Satish: This budgetary is in continuation of what they have done in the past primarily towards water and irrigation and the insurance. In terms of direct benefit to the seed sector, immediate impact may not be substantial. Irrigation to that extent helps in terms of stabilizing the income and farmers going for better seeds. So in long-term it would definitely be beneficial. The Insurance Scheme is still at its infancy. For sure as and when it picks up it would be a good risk mitigation for the farmers. So we need to really look at the implementation part of these schemes of how much the impact would be there. Overall the budgetary allocation is much higher. Immediate impact on seed industry, nothing negative. I am not saying it is something going to make us huge impact also. Our business overall should continue from a fundamental perspective, looking good for the coming years.

Shashank Kanodia: Is there anything specific point to look into budget as in which can benefit seed industry or any specific allocation to any scheme which is more beneficial to us?

G.S. Satish: There is no specific mention which would impact our business for the coming year.

Shashank Kanodia: Secondly, if you could just give us some sense upon the general farm sentiment, so they have been mixed reviews about obviously raising increasing sowing for Rabi season but at the same time there have not been yields or probably perishable items getting destroyed and stuff. So what is the situation? How is the purchasing power for farmers?

G.S. Satish: If we divide the whole thing into two categories, one category is perishables which are fruits and vegetables, other one is field crops and fiber crops. So we need to really look at two categories. It has been a severe impact on fruits and vegetables segment But then they are short duration crops, they do bounce back quite strongly. Yes, there has been a temporary impact on that segment of the farmer. In terms of field crops, if you look at cotton, farmers have been a bit reluctant to sell their produce, they are still holding on to more than what it would have been in the previous year. Though the realization is taking a bit of time for them to come in. But overall the commodity prices have improved for many crops. So for the field crop farmers, yields have been very good, commercial prices for many crops have been very good. So overall the sentiments have been good. Some states, the rainfall has been little on the lower side. So some states are still reeling under the drought situation, in particular the states of Karnataka and Tamil Nadu. So we need to really look from geography-to-geography perspective. Overall field crop farmers still very positive.

Shashank Kanodia: So if you can give some sense for the cash velocity in the market as in, so have the situation normalized post demonetization for the farmers?

- G.S. Satish:** Just to get the benchmark, our collections in November were the same quantum as last year. But in December we did see a substantial dip in terms of the comparative collection which we had last year. January, it has bounced back, it is actually better than last year, but we have still not recovered our December deficit which was there. So it is bouncing back, people are getting used to the structural change., Our advances have been slow as compared to last year but it has gone up substantially in the last few days. So we expect the things to normalize before the main season commences. So the next few months are going to be critical. The farmers are going to hopefully sell off their produce and then get the cash and circulation should be back. We are already seeing improvement in the overall situation. We expect the things to improve in the coming few months.
- Shashank Kanodia:** In the last year, we provided Rs.65 crore less royalty and that issue is contentious. So any update from that?
- G. Vijay Kumar:** That is under legal process, until that it is a contingent liability only.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. G S Satish for closing comments.
- G.S. Satish:** 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.

- ENDS -

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