



## Kaveri Seed Company Limited

### Q4 FY20 Earning Conference Call Transcript

June 01, 2020

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**Moderator:** Ladies and gentlemen, good day and welcome to Kaveri Seed Company Limited's Q4 and FY20 conference call. As a reminder, all participant 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 "\*" 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 Kaveri Seed Limited's 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 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. 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. Over to you, sir.

**Mithun Chand:** Thank you, Rishab. Good day everyone and very warm welcome to all of you. We are happy with our performance in the year under review. Revenues have grown strongly by close to 15%. At an EBITDA level as well, we have seen a growth of close to 20%. We believe this should continue going forward. While acreage details of crops are concerned, cotton has increased by around 6.5%, maize acreages are also up by close to 5%. Better commodity prices have helped in increase in Rabi and compensated for the decline in Kharif. Jowar and wheat shown a strong growth in acreages over the previous year whereas rice and sunflower have reduced over the previous years where our crop wise performance is concerned, cotton volumes increased by 17% in FY20.



Contribution of new crops went up from 14.85% to 23.11% of total volume. Performance of Money Maker was appreciated by farmers across markets reflected in improved sales during the year. Two cotton hybrids are under demonstration with farmers. Maize volumes also increased in financial year 20 and revenues are up by 10%. This is mainly due to the improved product mix and price gains. Hybrid rice volumes increased by 60% and revenues increased by 65.54% in financial year 20. Contribution of new product went up from 26.46% to 50.8% of volume.

Introduction of new paddy hybrids helped translate to strong growth. Selection rice volumes have increased by 2% in the FY20. In selection rice, there has been consistent performance across geographies. New product scale up has been done with growth in Coastal King, Prize and Shireen across markets.

In Q4FY20, revenue stood at Rs. 51.91 crore as against Rs. 44.72 crore in Q4FY19, a growth of 16% over last year. In Q4, 2020, EBITDA including other income stood at Rs. 19.76 crore as against a loss of Rs. 3.56 crore Q4FY19. In Q4FY19, PAT was at negative Rs. 11.43 crore. In Q4FY20, PAT was at Rs. 9.35 crore.

In FY20, revenue stood at Rs. 83 crore as against Rs. 68 crore in FY19, a growth of 14.86%. Operating margin excluding other income was at 27.12%. In FY19, PAT was at Rs. 214.72 crore. In FY20, PAT was at Rs. 251.26 crore on a standalone basis. Our balance sheet continued to be strong. Total cash on books as on March 31<sup>st</sup> 2020 is Rs. 337 crore as against Rs. 413 crore as on December 31<sup>st</sup> 2019.

In January, the company also successfully completed its buyback program, purchasing 28 lakhs shares of face value Rs. 2 at a price of Rs. 700. The total amount deployed towards its buyback was Rs. 196 crore. Overall, crop performance in the year ended well as I mentioned. We are hopeful that with government incentive for agriculture and farmers that there will be strong performance moving forward as well. While we are all deeply concerned with this pandemic and would hope for normalization at the earliest, it is also our duty to make sure that we are able to deliver as a company since we form a part of essential services. Right from the first lockdown till today, we have received strong support from the government in enabling us to achieve and move ahead. Initially, there were minor challenges in supply chain and labour, but that has now been addressed and operations are smoother and streamlined.

The government recently announced fiscal stimulus 2, and it augurs well for the agriculture sector. We look forward to continued strong performance in the current year on the back of the expectations of a normal monsoon. On that note, I conclude my opening remarks. We would be happy to give 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 Rahul Veera from Abakkus Capital. Please go ahead.



**Rahul Veera:** Just wanted to understand what is the current feedback from the distributors that we are getting in terms of the volumes or discounts or what is the ground level situation as of now for the cotton seed specifically?

**Mithun Chand:** By seeing the present sentiment of the farmers and the realization what they have realized last year for the cotton crop, we see it will remain same as last year with a plus or minus of 5%, more or less it should remain same. In some areas, the cotton acreages are down, but in some areas the cotton acreages are up. So overall it should remain same as last year. Not only cotton, when you talk about the other crops also like maize, rice, it should remain same as what it was last year.

**Rahul Veera:** Actually in terms of hybrid rice seeds, so this hybrid seeds margins are better than the cotton?

**Mithun Chand:** Usually, any non-cotton crop segment is better than the cotton crop. Definitely, rice also is a part of that segment and we have better margins in this product.

**Rahul Veera:** And any particular reason for the pressure on margins in Q4?

**Mithun Chand:** Q4 is a very lean quarter. So usually we cannot consider the margins for this Q4, but if you see for the entire year, the margins have improved by over 1% compared to last year.

**Moderator:** Thank you. The next question is from the line of Prashant, an individual investor. Please go ahead.

**Prashant:** So with respect to the cotton situation, as we know there is a huge cotton price crash ahead of a global recession and we are not seeing any sort of effect in terms of sowing activities and the acreages and stuff?

**Mithun Chand:** We do not see that as of now. I think the prices what they have realized for the cotton last year, they realized at very good prices and we see some sort of an internal thing that the cotton should pick up going forward and the governments are also supporting for the cotton crop in some particular states. So I do not see any pressure on the cotton acreages as of now. I think it will remain same. By seeing the placement and the sentiment of the earlier season in Punjab and Haryana, we have seen that even in Gujarat, we are seeing that the demand is slightly declined, but not as anticipated. It is almost same as last year.

**Prashant:** Sir, my second question is given this constant acreage, are we still guiding for a 15-20% sales growth this year and 18%-25% profit growth for FY20-21 as well, that is like we did like Rs. 40 in consolidated this year. So next year are we sort of guiding like 48 and above in terms of consolidated?

**Mithun Chand:** We stick to our guidance what we had given earlier. We said that 10%-15% growth in cotton and 20%-25% growth in non-cotton. Altogether, the company should grow in between 15%-20% with better margins. It will continue with the same guidance.

**Moderator:** Thank you. Next question is from the line of Abhijit Akella from IIFL. Please go ahead.



**Abhijit Akella:** Just a query regarding the outlook for the Kharif season now. In cotton, I believe the Telangana government has been sort of advising farmers to grow only cotton, if they want to get the Rythu Bandhu instalment. So in that context, by how much would you expect Telangana cotton acreages to increase in this current year?

**Mithun Chand:** Definitely if you see, the government is giving instruction to the farmers by which, the Telangana cotton acreages should go up significantly. They are saying acreage of like 75 lakhs acres should come under cotton. It is like 15 lakh acres more than last year. So I think that will happen as of now and they have done enough research and the government source, they are saying that they will buyback the entire quantity from the farmers. So definitely that will shift and there will be a reduction in the maize acreages to some extent. But as a company, we are present in both the segments. We do not see much of a space in the volumes because on maize, we are expanding in Central and Northern parts. So as a company we will not have much of an impact on maize. Definitely for Kharif, we have impact in maize and that will be positive for quarter in Telangana. And the state government is saying that they will promote maize in the Rabi segment because they have enough water now. So they can take two crops. So on an overall basis or on year-on-year basis, even Telangana should come up with the same acreage what it has last year.

**Abhijit Akella:** And second, just on the royalty cut in cotton now. Royalty has been reduced to zero. So can we expect some expansion in EBITDA per packet in FY21 and if so, could you get some sense of how much it could be in terms of rupees per packet?

**Mithun Chand:** So if you compare the previous year to this year, the royalty of Rs. 20 what we paid last year is zero for this year. So technically it will stay back with the company only. As of now, we do not have any plans to give it to the dealer, it should increase our EBITDA.

**Abhijit Akella:** So can we assume that FY20 EBITDA per packet would have been say about Rs. 110 or something like that and that can increase to about Rs. 130 per packet or something like that...

**Mithun Chand:** Rs. 20 straight away should be added to the EBITDA margin, but it should remain, but Rs. 2 or Rs. 5 here and there, but the entire amount should come back to the company.

**Moderator:** Thank you. The next question is from the line of Sumant Kumar from Motilal Oswal. Please go ahead.

**Sumant Kumar:** Sir, my question is regarding maize. So maize price has corrected significantly, so assuming crop pattern shifts towards other crop, so how Kaveri is going to take their position in maize and how are we going to grow in the segment?

**Mithun Chand:** I do not see a major decline in the maize acreages this year. If you see only in Telangana government, maize acreages are down. But if you see the Northern India especially like Punjab, Haryana, the government has encouraged farmers to go for maize rather than cotton. So overall if you see as overall acreages across India compared to previous year, I do not see much of a change in the acreages, 5% plus or minus on each crop based on the rainfall. Otherwise, the entire acreages should remain same. And the other point what



we need to observe here is that we had a very good monsoon last year, most of the tanks are full, ground water is also full and we are expecting a very good monsoon this year also. Definitely, they will have a good scope for maize crop. And initially, the prices have corrected in maize, but if you see as of now, they are good compared to the previous year, almost like a Rs. 1600 – Rs. 1700 itself is a good price for them. Initially, we got corrected in the lockdown, but again it moved up.

**Sumant Kumar:** So you are talking about targeting North markets. So whatever the information I have, it has corrected 20%-30% compared to previous year, so in that case farmer might shift to other crop also in the North market and where you are trying to expand the market?

**Mithun Chand:** North market, governments are telling farmers to go for maize and that is what happened in Punjab and Haryana also. What I mean to say is that we do not see much of a pressure on the maize acreages. It only corrected 15%-20% from the peak because last year it was like Rs. 21 a kg, now it is Rs. 16 - Rs. 17 a kg, even that is a very good price for the farmer.

**Sumant Kumar:** And what is the guidance for the cotton packet this year?

**Mithun Chand:** So we said that 10%-15% growth in cotton and 20%-25% growth in non-cotton.

**Sumant Kumar:** So you are talking about volume growth, right?

**Mithun Chand:** Volume growth.

**Sumant Kumar:** And any production cost increase in this year is expected?

**Mithun Chand:** Not much, it is in line with last year and in fact in cotton, the production is slightly lower than last year.

**Moderator:** Thank you. The next question is from the line of Madhav Marda from Fidelity. Please go ahead.

**Madhav Marda:** I just have one question. I joined a little late, I do not know if you already addressed it, but due to COVID, has there been any disruption in terms of our logistics or distribution of our seeds to the dealers and are you seeing any sort of challenges in procurement from the farmers?

**Mithun Chand:** As of now, no, but initially there was when the lockdown started in March last week, so we have seen some sort of a difficulty in terms of the transportation, in terms of supply chain but the transportation is getting up again and the labour issues are also resolved. But as government rightly intervened and made seeds as essential commodity and most of the factories are operating in the lockdown period. As we have a very good infrastructure, we have divided the entire workforce into 3 shifts and then based on the social distancing norms as guided by the central government, we have done our work and we have placed our products in the market much before the time. When you compare to the last year, we are much ahead of last year because by seeing the pandemic, we started selling into the market a bit earlier than last year. As of now, we do not see much of an impact. Yes, internally some areas where containment



areas are there, there is a bit of an issue, but it is manageable, it is very small part across India.

**Moderator:** Thank you. The next question is from the line of Chirag Dagli from HDFC Mutual Fund. Please go ahead.

**Chirag Dagli:** Sir in your opening remarks, you mentioned 33% of the volume was from new hybrids, this was for cotton?

**Mithun Chand:** No, that was not for cotton.

**Chirag Dagli:** And when you mean new hybrids, you mean launched when?

**Mithun Chand:** 2 or 3 years back. This usually takes 3 to 4 years to get to the level like Money Maker which we launched 2 years back. So that is all getting volume.

**Chirag Dagli:** So 3 years back is what you take it as a hard stop, alright.

**Mithun Chand:** 0 to 4, you can say.

**Chirag Dagli:** 0 to 4 you are saying, okay.

**Mithun Chand:** Because introduction, we did a very smaller base and from third year, it will pick up.

**Chirag Dagli:** So this 33 is essentially everything that was sold or that was launched 4 years back?

**Mithun Chand:** Yeah, 0 to 4 years back.

**Chirag Dagli:** And how much inventory did we get into the season for cotton?

**Mithun Chand:** We have roughly inventory of close to a crore packets which was almost same as last year.

**Chirag Dagli:** That does not change.

**Mithun Chand:** Usually, we keep some as buffer, but it is in line with our plan.

**Chirag Dagli:** And sir this year hybrid rice has seen a sharp volume growth. On this high base, should we assume some sort of tapering down of growth this year or do you still think that these new launches have some steam there?

**Mithun Chand:** See, last year if you see the growth is like more than 60%. Definitely, we see a tapering in the growth, but definitely rice as a market, we are increasing our market share and will definitely grow by more than 25%-30% even this year.

**Chirag Dagli:** And last question sir on maize for Rabi. If you can just sort of take us through what sort of hybrids do we have for that market?



- Mithun Chand:** We have launched many hybrids in the recent years, say around 3-4 years back and even we are continuously launching hybrid for the Rabi markets. And if you see the revenue mix, in the opening remarks itself I said that the revenues are up by 10%, even the volumes are not up in that fashion, but the revenues are up because as the product mix is changed, basically we are selling in the high value markets which are usually in the Rabi and Northern India and central parts. So in that markets, we are increasing our market share and we are planning to do continually good in the markets where we are launching very good **and we have support from the** farmers also and that is how we are really confident that we will grow in maize also.
- Chirag Dagli:** So specifically, for maize for Rabi, what will be our new product introductions contribution to overall sales right now and where do you think you can be 3-4 years down?
- Mithun Chand:** In terms of the revenues, Rabi almost contributing to 50% of our revenue. Only maize volumes, first 6 months is 50% and latter 6 months is 50%. You can say in terms of the revenue, but in terms of the volumes, first contributes 65%-70% and rest is 30% to 35%.
- Chirag Dagli:** And where do we see this Rabi maize portfolio couple of years down the line sir?
- Mithun Chand:** If you go up in the Rabi markets, Rabi also contributes equally to the markets and we are targeting them especially in Bihar, UP, Maharashtra and we have launched some hybrids in corn. So these are the markets which are adding on a regular basis. Definitely going forward, Rabi should contribute same as what it is in the Kharif part in terms of the volume and revenue will definitely go up. Rabi should contribute more revenues in maize in the coming years.
- Moderator:** Thank you. The next question is from the line of Rohan Gupta from Edelweiss. Please go ahead.
- Rohan Gupta:** Sir, first question is for the current year which you are looking at, FY21, close to 10%-15% sort of revenue growth and roughly higher on bottom-line. I believe because Q1 is the most important quarter and we have just started June month, almost 2 months of the current quarter is over. So I understand that despite COVID and the logistic issues which we would have already faced, I understand that you must have fair amount of visibility for the growth numbers or the guidance which we are talking about right. It means that the peer related to the agri being impacted under the COVID is not on ground reality, it is something different, is it fair to assume that?
- Mithun Chand:** I think, because if you see the placement, normal year and this COVID year, we are able to place our products in the market and the purchase is also happening. If you see Northern India, the early markets, early segment like Punjab, Haryana, Part of Rajasthan, the early markets, usually rice moves there and cotton, where we have seen that the farmer has purchased the products and in some parts like Maharashtra and some other parts, the farmer is purchasing a bit early than the normal year. If he has a chance to buy it, he buys it. So going forward as the norms are also now more or less relaxed, I don't see much of an impact going forward and the farmer can also come and buy it and this monsoon season definitely, at the ground level we don't see much of a difficulty in the agriculture operation.



**Rohan Gupta:** So it will be for entire agri market, I mean not only for us but all the agri input, do you see that the 10% to 15% kind of growth is fairly normal in the current year also?

**Mithun Chand:** See, I can't comment on the agri as a product, but if you see the agriculture as such, being the good monsoon last year and we are anticipating a very good monsoon this year. Definitely, it should favour the agriculture operation for sure and the way the governments are also supporting the farmers and if you go back and if you heard the Prime Minister is constantly saying that we need to increase the farming community, to double the farming community and he is always talking about the remuneration to the farmer, that will definitely help agriculture and these type of monsoons will also help improve the farmer sentiment and the yields. Definitely, agriculture should do well and in terms of the seeds, we have already seen that it is like normal as compared to previous year and in some areas, even the season is a bit early compared to previous year because they have enough ground water and tanks are full. I mean all the water sources are full.

**Rohan Gupta:** Sir, second question is on corn, so you mentioned that I mean despite the corn prices have fallen a lot despite that you believe that the acreages are likely to remain at the last year's level that is slightly confusing because we understand that almost 30%-40% fall has been there in corn prices, so how do you see that the corn acreages are unlikely to be impacted, just want to understand?

**Mithun Chand:** If you see the corn prices last year, it has gone up by more than 40-50% over the previous year. For example, usually corn used to trade in between the Rs. 12 to Rs. 15 a kg but last year it went up to Rs. 21-22 at the peak of the season. Now, they are trading around Rs. 17, so I think even at Rs. 17 is a very good price for the farmer and the other thing what we need to understand here is that there is no other alternate crop which is more remunerative than corn.

**Rohan Gupta:** So you think that even at Rs. 17, corn is still remunerative than other crops?

**Mithun Chand:** Yes. By seeing the present quarter conditions or by the other climatic conditions, corn is remunerative for the farmer and I don't see much of a pressure on the acreages.

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

**Nandan Vartak:** Just a small question about how you are supporting dealers this year, so normally we don't provide credit for dealers that is understanding, but are we extending some support from our side for this special COVID scenario?

**Mithun Chand:** As of now, no because the season just started and we have got good advances compared to the previous year and we have collected more money from the dealers in last year in terms of the advances and usually the cash flow of our business starts from late June when the monsoon is done, that sowing is done. When the monsoon arrives, the sowing will be done and dealers pay the money. It will go up to August end, but as of now we don't see much of a pressure in terms of the cash flows. But yes, by seeing the other condition, we can expect a bit of a cash delay but that should not affect our operations or anything and I don't think that will lead to any defaults.



**Nandan Vartak:** Dealer number can you give us, how many dealers do we get?

**Mithun Chand:** We directly or indirectly deal with more than 47 retailers across India.

**Nandan Vartak:** And that would be compared to last year, is there an increase?

**Mithun Chand:** Actually more or less same because we have operations across India and we are the only company who are present in more than 22 states and we operate in many crops and by seeing our portfolio, the addition of new dealers will not be significantly high when compared to the previous year

**Nandan Vartak:** So what about penetration in North and central area?**Mithun Chand:** We are already there in Northern and Central India. The dealer network is already there. We need to gain the market share that is what we are doing now.

**Moderator:** Thank you. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

**Sarvesh Gupta:** Sir, first question, a bit confused on the volume growth that you are guiding for cotton because you said that the inventory that you are carrying is similar, although if I see your balance sheet, the inventory values are much higher compared to the last year and then again the acreages and the payment that you are guiding and prices are also down for cotton, so how are we seeing this 10%-15% volume growth in cotton?

**Mithun Chand:** If you recollect the cotton acreages should remain same and we will be increasing our market share in the states where we are operating. That is how we are guiding full growth of 10 to 15% and if you see the inventory, the other noncotton crops, the growth of 20-25% was we were talking of 20-25% based on the inventory of other crops are also higher, that is the reason we see a high inventory compared to the previous year. It is a combination of all crops.

**Sarvesh Gupta:** No, but you said that the inventory of cotton is 1 crore packet which is similar to last year, so hence how are we able to get 10 to 15% volume growth if you don't have excess...

**Mithun Chand:** If you take the volume last year, we have done only 70 lakhs packets. We have a buffer stock of the 25-30 lakh packets, still we will have buffer of it. Usually as a company policy, based on the seasonality, we take a production and we put some buffer stock in that. So we manage in that way.

**Sarvesh Gupta:** Since the season for cotton seeds is almost over, so how much have we already placed in the system? How much inventory have we placed?

**Mithun Chand:** Cotton season has not yet started. It will start once we receive the monsoon. Only Northern India which is smaller part for us where the season is going on but if you take Maharashtra, Andhra, combined Andhra, Karnataka, it has not started yet. It will start from the first week of June and if you see our placements compared to last year, the placements are slightly ahead of last year and we are ready for the sales.



- Sarvesh Gupta:** For the dealers, we have to now collect the cash also later from them after the sale period is over, so how do you see the COVID situation impacting their cash position and hence the receivables which are due to us?
- Mithun Chand:** As I mentioned earlier also, we don't see much pressure from the dealers as of now because we have collected more advances compared to last year and the agriculture operations are normal and the cash flow if you see, the cash flow is normal in the agricultural sector, it might be different in the other sectors, it is normal and we don't see much of a threat but anyhow to a safer side, I would say that we can anticipate a big delay in the payment but that may not lead to the bad debts.
- Moderator:** Thank you. The next question is from the line of Nitin Agarwal from IDFC Securities. Please go ahead.
- Nitin Agarwal:** I am saying there is these government regulations which have been there around reforms and the farm sector around APMC law repealment and all of that. I mean structurally do you think, is there any change anything meaningfully for the seeds business?
- Mithun Chand:** As of now for the present season, we don't see any change. We need to go to the act and then see what exactly they are trying to get out but nothing from as of now and we don't see any change in our operations as compared to the previous years. It will go up for this year. Again, once the act comes out, we need to see and how it impacts for us.
- Nitin Agarwal:** If we go to the finalities or the finer points of the act but from a horticulture perspective, how are we assuming it gives a lot of thrust or pushed the horticulture segment, how do you think we are placed vis-à-vis to solve the leverage of this opportunity?
- Mithun Chand:** Basically, we don't deal with any horticulture crop. As a company, we don't deal any things in horticulture we called feed crops like we called short term crops. And in the segments where we operate, I don't think that will make any much of an impact for us and basically they are trying to take the middle man out and they want to give more remunerations to the farmers that will definitely help the farmers. Indirectly, they will buy good thing from us which will definitely help us.
- Nitin Agarwal:** And secondly with the liquidity situation which is there in our market, are you seeing some pressure on the smaller companies, from unorganized guys and may be some market share gain prosperity for people like yourself, the larger companies?
- Mithun Chand:** To some extent, yes because any of the seed segment is dominated by the organized players, only more than 80-85% segment in the organized players, big players, the top 10. There may be smaller companies this time the companies we say low liquidity like less of a cash flow, they are a bit impacted by this thing and we think that may move to the organized segment. But yes, already the segment is more than 80-85% but slightly 1 or 2% here and there should not do, but cash operations definitely they will take longer time to recover their cash and everything. But the companies like us who are cash rich companies, who sell the stock on demand. For them, I don't see much of an impact and that will help the larger companies.



- Nitin Agarwal:** If I can just squeeze on last one, why is the component is high of other income which is there in this quarter?
- Mithun Chand:** See, basically other income is the income generated by investment because we have more than Rs. 300-400 crore invested in the funds and liquid or whatever it may be debt funds, the interest income and all.
- Nitin Agarwal:** Is there some lumpiness in this other income, may be you get this interest payout once a year or something which gives us a high amount or this is a number...
- Mithun Chand:** We dispose all the investments where we invest in. We have a sheet in the presentation and even in the annual report. That all depends on when you release it and how long and when the maturity falls, for example in the last quarter, we had a buyback, so we have majority in the line and some might have matured in those years.
- Moderator:** Thank you. The next question is from the line of Sanjay Dam from Old Bridge Capital. Please go ahead.
- Sanjay Dam:** Mithun, just had one question. On an earlier call when you are updating on the COVID impact, you had earlier said that some bit of 1Q this time may spill over into 2Q as well, so 1Q and 2Q would be a better way of looking at things vis-à-vis the base years, do you still maintain that?
- Mithun Chand:** Yes, definitely. That all depends on the arrival of the monsoon. If the monsoon is a bit delayed, it has been the same that was in the second quarter, but it is basically a spill over. The right way to look at is first half to first half to compare the actual numbers, but we can know by the end like will it come in the first quarter or the second quarter but as of now the monsoon is on time, so this time it should come in the first quarter itself if the monsoon arrives in the normal time.
- Sanjay Dam:** And on your non-cotton crop if I look at the non-cotton part of the revenue that you are estimating for FY21, so if the total non-cotton is 100, how much was it in FY20 and roughly to the extent you can sense or say what do you expect these parts to be for FY21 when you say that the non-cotton will grow at 20% to 25%?
- Mithun Chand:** Basically, as I said that acreages will remain same and the cotton may see a growth of 10 to 15% as a company because we will be increasing our market share but non-cotton crops especially like rice, maize and other crops, vegetables where we are growing very fast. For example, if I take paddy, we have grown at more than 60% compared to previous year, so that will definitely help us to drive to our aim saying that 40% of cotton and 60% of noncotton and we are slowly moving in that direction. If you go back 2 years back...
- Sanjay Dam:** So sir in non-cotton, today your non-cotton has broken down into how much of rice, maize and veg?
- Mithun Chand:** Basically, non-cotton segment if you take cotton, last year it was 52, this year it would be close to 50% odd. Now cotton and non-cotton almost like 50-55 for



now and if you take out of 50% of noncotton, rice and maize contribute to close to 40% and all other crops contribute 10%.

**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 vegetable seeds revenue for FY20, I think FY19 was close to about Rs. 14.5-15 crore?

**Mithun Chand:** Yes, FY20 is close to Rs. 20 odd crore, we have grown by more than 40% in vegetables.

**Rohit Nagraj:** And this we expect probably similar kind of growth rate of may be 30% plus minus over the next foreseeable future?

**Mithun Chand:** Yes, definitely it should be slightly above than 30% even this year by seeing the crops what we introduced in the last couple of years. We see a very good demand for the hybrids especially in Okra and Chilli. So this will definitely add to the revenues and we are hoping that vegetable will contribute well in the next 4 to 5 years, definitely 30% plus growth we can witness vegetable from this baseline.

**Rohit Nagraj:** And sir, any update on the biotechnology, new R&D laboratory I think we were able to invest almost Rs. 20 crore, so is it completely invested and what are we expecting in terms of CAPEX for FY21?

**Mithun Chand:** As we say that R&D is a continuous activity and every time we invest in R&D. And if you see the investments in last couple of years, we have increased more in R&D, for example the lab what we have constructed, we invested close to Rs. 20 odd crore in that and that is actually helping us to innovate more products. We are combining the normal traditional techniques with the biotechnology to get a better R&D and that is progressing well and we do invest in that and it is operational now. And even for this season if you see with the help of the biotechnology labs, we were able to analyse faster in terms of the quality check in which current COVID situation because the techniques what we use in biotechnology we request the quality and all those things that is much of a traditional thing. In that way, it is helping us and it is enabling us both in terms of the quality check and in terms of getting the hybrids in a faster time. And going forward, the CAPEX, Rs. 20 to 30 crore year-on-year CAPEX what we have said last year that will continue for this year also and we don't see major CAPEX apart from this.

**Rohit Nagraj:** And just last clarification, so our employee cost on year-on-year basis have gone up by almost 23-24%, so incrementally do we foresee a similar kind of increase where probably the rate of growth will come down to maybe a reasonable 10% to 15%?

**Mithun Chand:** Last year, it was close to 25% because we invested more, we hired more people in biotechnology, we invested more in R&D and usually 10%-15%, 10% is the increment what we give. And going forward, it may not be 25% but it will be in line with the normal growth.



**Moderator:** Thank you. The next question is from the line of Deepak from B&K Securities. Please go ahead.

**Deepak:** Sir, as we have the surplus cash in our balance sheet, this year also we are going for the buyback or is there any other thing we wanted to add?

**Mithun Chand:** As of now, I can't comment on that but if you see we are saying that we don't have much of a CAPEX and we don't have much of requirement of the cash. So if you see in the last year we don't have a policy, but whatever we earned in the last 3 years we have done 3 buybacks and every year the new dividend and going forward, our policy is that but any of that is subject to both the discussion board outcome, but definitely our intention is to reward the shareholders.

**Deepak:** And sir, second question is, you have mentioned that this non-cotton has a better margin than the cotton, can you just give us some colour on that and quantify what the range of margins will look like, it will be helpful sir, thank you sir?

**Mithun Chand:** In cotton, the margins are usually 15%-20%. In non-cotton crops, it will be within 30% to 35%. As the government controls the cotton prices, we don't have much room to increase the prices that is the reason which we have lesser margins in the cotton prices, whereas noncotton crops we are 3 to 5 and we have more margins.

**Moderator:** Thank you. The next question is from the line of Saurabh Ginodia from Stewart & Mackertich. Please go ahead.

**Saurabh Ginodia:** Sir, if you can share the exports number for current year and how do you see exports going forward?

**Mithun Chand:** For the present year, we are just up by 10% compared to the previous year because we lost some order from Pakistan, before that was in the third quarter, not in the fourth quarter, that was in the third quarter, but we are slightly growing in the export compared to previous year. Going forward, definitely we see 25% growth in exports also.

**Saurabh Ginodia:** And sir, can you share the inventory hike of number for the current year?

**Mithun Chand:** As of now, I don't have the exact figure, but these are in line with last year's figures, not much of inventory write-off like Rs. 17-18 crore.

**Saurabh Ginodia:** Around Rs. 15 to 16 crore?

**Mithun Chand:** Yes, that Rs. 17-18 crore, whatever it is, that is it and that will be a routine process every year.

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

**Abhijit Akella:** Just to confirm, how much was the increase in advance bookings this year so far?

**Mithun Chand:** Last year it was close to Rs. 200 odd crore, this year we got around Rs. 220 to 225 crore and the difference between last year and this year is that last year the majority of the advances come from the cotton, this year it was from the noncotton segment because we have discouraged dealers to pay the advances as we don't have much margin to deal it with that. Even in that scenario as a combination of both, we got more advance in the last year.

**Abhijit Akella:** So just to confirm, Rs. 220 crore compared to Rs. 200 crore last year and what would the split be in terms of noncotton if you could share that?

**Mithun Chand:** Last time, cotton was close to around, let us say Rs. 135-140 odd crore, non-cotton was around Rs. 55-60 crore. This time noncotton and cotton both are equal. Both are Rs. 100 crore plus. I don't have the exact figure as of now, but these are in similar lines.

**Abhijit Akella:** And there is a note in the results about Genome Agritech about the fact that it may require further fund infusion by Kaveri, so what are the plans in this regard and if so how much money might you be putting into that?

**Mithun Chand:** Nothing, if you see in the last 2 years, we have stopped the operations in Genome. We have started a new company by name Genomic, which is a 100% subsidiary. Earlier it was 50-50% joint venture, so we have stopped operations in that. We have clearly mentioned that it may not continue going forward that is the reason they have made a note of it and we will not continue any operation in that company.

**Abhijit Akella:** And in terms of the Roundup Ready seed, what is the outlook for this year, could there be a big decline in Roundup Ready acreages this year just given the fact that the lockdown might be leading to disruptions for the smaller producers, so is there a chance for large companies like Kaveri to capture market share from Roundup Ready?

**Mithun Chand:** As of now it looks like because most of the smaller companies or the illegal segment or the unorganized segment, they were not able to pack or produce, I mean to say properly place in the market. Production has been already done for those products, but they were not able to place it properly because there were lot of issues in terms of the packing and these counterfeit products were not that filling over. So as of now it looks like that may come to the organized sector, but we need to wait and watch it. In the ground level, we don't see that sort of a movement when compared to last year.

**Abhijit Akella:** And how much would the segment have been last year in terms of size?

**Mithun Chand:** For example, cotton last time it was close to around Rs. 45 to 50 lakhs, that we need to see how much it is now.

**Abhijit Akella:** So about 10% to 12% of the market is...

**Mithun Chand:** Yes.

**Abhijit Akella:** And just one last quick thing. In the fourth quarter results we have seen corn seed revenues have not grown by much, even though you had a very good third quarter, in fourth quarter growth hits have slowed down and even the



gross margins for the company level have come down, so if you could just talk about reasons for that?

**Mithun Chand:** Nothing, fourth quarter is a very lean quarter for us, some sale was not recognised because the season was bit delayed in some parts, that is one part. And anyhow higher than cross-subsidy which would have come but if you see, as we have grown more inventory in cotton, our last cotton, the raw cotton contribution is more in fourth quarter. That is the reason we saw sort of an impact on the margins, but anyhow that fourth quarter we should not take into consideration because anyone of it goes here and there would make a major impact.

**Moderator:** Thank you. The next question is from the line of Prashant, an individual investor. Please go ahead.

**Prashant:** I see around Rs. 780 crore cash on the consolidated balance sheet, can you sort of comment on that where the cash is located in terms of subsidiaries and what the company's plan for that cash, Rs. 780 crore?

**Mithun Chand:** I don't see where exactly it is? We don't have Rs. 780 crore of cash in a consolidated thing.

**Prashant:** Sir, in the cash flow statement that you published, cash and cash equivalents at the end of period, it says 778.56?

**Mithun Chand:** In the presentation?

**Prashant:** No, in the results that you published.

**Mithun Chand:** I don't have the results sheet as of now, but I will just sort this out later on.

**Prashant:** How much cash we have on the consolidated level?

**Mithun Chand:** Majority of the contribution comes from the standalone basis and whatever cash we have on a standalone basis that the cash what we have, as on 31st March, we have a cash equivalent of Rs. 337 crore as on March 31st.

**Moderator:** Thank you. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

**Sarvesh Gupta:** Sir, just one thing that you had commented earlier on the market share movement, so where are we gaining these market shares from and for these geography if you can give some colour on that?

**Mithun Chand:** So each crop we are getting in different states, for example, in rice we have gained market shares in states like UP, Bihar, Chhattisgarh, Jharkhand, Northern India. And for cotton, we are gaining market shares in Gujarat, parts of Northern India and Maharashtra and even in Karnataka. In maize, we are gaining market shares in Central India and Northern India.

**Moderator:** Thank you. The next question is from the line of Kathi Keyan from Suyash Advisors. Please go ahead.



- Karthi Keyan:** So I was asking you whether the revenue mix that you give is on a standalone basis or on a consolidated basis as in are you including Aditya also in this both in terms of?
- Mithun Chand:** Revenue mix in the standalone basis, but Aditya we bill in Kaveri only, the main final product goes from Kaveri, so we only take in standalone.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to the management for closing comments.
- Mithun Chand:** It has been a pleasure interacting with you over the call. We thank you for taking time out and engaging with us today. We value your continued interest and support. If you have any further questions or would like to know more about the company, kindly reach our investor relation desk. Thank you.
- Moderator:** Thank you very much sir. Ladies and gentlemen, on behalf of Kaveri Seeds that concludes this conference. Thank you for joining us and you may now disconnect your lines.