



Kaveri Seeds Company Limited

Q4 FY21 Earnings Conference Call

May 31, 2021

Moderator Ladies and gentlemen, good day and welcome to Kaveri Seeds Company Limited Q4 FY21 Earnings 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 the operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over the Mr. Rishab Barar from CDR India. Thank you and over to you, sir.

Rishab Barar: Thank you. Good day, everyone. And thank you for joining us on the Kaveri Seed Company Limited Q4 and FY21 Conference Call. We have with us today Mr. Mithun Chand, the Executive Director.

Before we begin, 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 the company faces. 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 address updates on the market environment and take you through the strategic imperatives of the company. We will then have the forum open for an interactive question-and-answer session.

I would now like to invite Mr. Mithun Chand to share his views. Over to you, sir.

Mithun Chand: Thank you Rishab. Good day everyone and thank you for joining us on this call. I hope everyone is safe and healthy amidst this pandemic. I am delighted to connect with you at the end of the year, where in Kaveri Seeds Company became the first seed producer in India with more than 1 lakh acres under seed production.

Let me share some perspective with you regarding performance during financial year ‘21:



The year in retrospect was one that was driven by robust growth for financial year '21 and revenue stood at Rs.1003 crore versus Rs. 930 crore last year. A growth of about 11.3%. Operating EBITDA margin excluding other income stood at 28.76%, versus 27.22% in financial year '20. PAT at Rs.311 crore versus Rs.259 crore in financial year '20. Cash on books as on March 21 stood at Rs. 533 crore. For Quarter 4 financial year '21 revenue stood at Rs. 64.25 crore versus Rs. 63.12 crore in Quarter 4 '20.

Moving on to crop wise performance:

Cotton acreages are marginally higher on a year-on-year basis by 1.9% which is equivalent to 2.38 lakh acres. Increases were seen in the states of Telangana, Karnataka and Punjab, but lower acreages in AP, Gujarat, Tamil Nadu and Maharashtra.

Overall, Maize acreages were almost stable, increasing by about 1%. The area in Kharif was higher while Rabi area was lower due to poor commodity pricing. Acreages increased in Karnataka, Punjab and Tamil Nadu.

Rice area has increased 8.1% year-on-year, the main increase has been witnessed in main states of Telangana, West Bengal, MP, Jharkhand and Bihar.

Our performance during the year as well as our outlook is driven by the intense focus on R&D and supply chain. Contribution from new products continues to be high. The selection rice volumes are up by 47.11% in financial year '21.

New products are scaled up on the back of growth in Chintu 828, Sampurna and KV99. Hybrid rice volumes have increased by 48.26% in financial year '21. Introduction of new hybrid 7299,471,473 helped towards increasing growth. Contribution on new hybrid went up to 51.05% to 68.17%.

Vegetable sales volume increased by 56.19%. Major growth was driven by hot pepper, tomato, gourds and Okra. In hot pepper growth came from KHPH 1213, KHPH 1217 and KHPH 1225.

In tomato growth came from KTH 354 and KTH 355 in Okra, from KOKH 1107.

From being a predominantly cotton seed company, we have divested strongly into maize, rice, hybrids and vegetables. While the quarter will continue to be a larger contributor to our performance, our thrust will continue on expanding our non-cotton revenues.

I'm happy that the year has ended on a positive note. Although Quarter 4 is usually lean quarter, we are overall glad with our achievements over the pandemic with strong focus on R&D, automation, cost rationalization and supply chain as well.

With that, I conclude my opening comments and I have the floor open for an interactive Q&A session.

- Moderator:** Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Rohit Nagraj from Sunidhi Securities. Please go ahead.
- Rohit Nagraj:** So, the first question is in terms of the last couple of months that it April and May. So, we have seen now another wave of COVID and lockdowns, so have we faced any kind of logistics or supply chain related challenges. And have they affected our product placement. Thank you.
- Mithun Chand:** Yes. We have seen challenges in this pandemic time. But we are facing it for the last one year. In fact, last year also it was much severe than this year. We were able to manage it with that experience now we are able to manage it much better, even though we had challenges we have overcome most of the challenges and the placement as compared to the competitors as compared to our internal estimates it's in-line and we are not much affected with that. All the placements are very much there in the market.
- Rohit Nagraj:** Right understood. Sir, second question is in terms of the vegetables market, so we have been quite confident about it we have reached about 40 crore of sale, 100 crore over the next few years. So, what is the strategy that we are using here, are we using the same challenge that we are using for our other products or there is some different strategy to penetrate this market, thank you.
- Mithun Chand:** As we were saying from a couple of years, as we have intensified our R&D program in the last 8, 10 years and we have a very good set of pipeline hybrids in the main focus products like tomato, okra, hot pepper and gourds. So, these are the markets where we are focusing more, and we have very good hybrids which has launched in the previous year. And that is what which is resulting in revenue. And if you see on a year-on-year basis, we have grown by more than 50% for the last three, four years. And even this year with a decent pace of 24 crore we have gone by other 54%. The vegetable segment is growing as a segment itself is growing much faster than the more normal field crops. And we are focusing more on vegetables and with the present set of hybrid which are already placed and set of hybrids we are going to launch in the coming year, we are fairly confident that we can easily reach to that 100 crore mark in the next two to three years.
- Rohit Nagraj:** Right, just an allied question to this. In terms of our distribution and reach to different geographies, how are we placed and are there any nascent geographies where we have not yet entered and those probably would have further growth potential, thank you.
- Mithun Chand:** We are there in almost all parts of India, we are the only company in India who has got the largest distribution network across India because we have a diversified portfolio and we are strong in most of the areas where we operate. There are very few areas where we are left out. In fact, we operate in more than 26 states across India, there are very few states where we don't operate. Where in the demand for our seeds, the areas like Jammu was somewhere like Goa where we don't see much of a demand for products what we sell, but overall if you see the overall of the markets spend we are almost there in most of the areas. Yes, in some areas we are less penetrated and some areas we are aggressive but we are trying to increase our network and penetration areas where we are not having list of food. But that's a continuous activity and we tend to do that going forward as we enter new segments.



- Moderator:** Thank you. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.
- Sarvesh Gupta:** Sir first question is on the buyback. So, last quarter, you had said that since on 12 months have just recently expired, you will discuss it in future board meetings and let us know. So, is there a change in the stance with respect to the cash distribution to the shareholders given that we have well past the 12 months gap, which is regulatory requirement for the buyback from the last buyback. So, that is question number one.
- Mithun Chand:** In terms of the buyback, the board is continuously working on it, on a strategy to reward shareholders and to increase the share, I would say to formulate a strategy to have a growth for the company and in turn, reward the shareholders definitely by next quarter end we might formulate a strategy for that. And definitely we let you know, once the board clears it, here the board is continuously working on it. It will take another one quarter for us to formulate a strategy on that.
- Sarvesh Gupta:** No, but this Rs. 200 crore sort of a buyback that we have been doing in the last three, four years, is that expected to continue or is there any change because we continue to generate equal amount of cash as we were in the previous years?
- Mithun Chand:** Yes, intention is that we want to reward shareholders, but as we are doing for the last three, four years, the board is trying to formulate a strategy for the growth of the company as well, with keeping in mind the shareholder interest, so definitely by next quarter end we'll definitely get back with this, because of the pandemic and other being start of the season we were not able to formulate a strategy, but definitely when this quarter end may be we will have a clarity on that.
- Sarvesh Gupta:** Okay. Secondly sir our employee cost has seen a 25% increase this overall year, while, where sales growth is only 10%, 11%. So, I could not understand why we will see such a high increase in the employee cost. Are there some one off payment to directors or something else which has happened, what is the reason behind it?
- Mithun Chand:** Nothing. If you see the employee cost we are continuously increasing our sense in their R&D compared to previous year the employee account headcount has also gone up by more than 12% to 15% compared to previous year, we are investing more in R&D and we want to focus more on newer areas that is one part of it. And the other thing regarding the ESOP what we have allotted to the employees that also is a notional cost which is carried in the fourth quarter, that also ranges to four to five crore that's a notional cost in the P&L account. That's the only cost, Rs. 4 to 5 crore of the employee because you all are aware that we have given ESOP to the employees in our trust. So, that's the additional cost which is hitting the employee cost. Apart from that, nothing, no incentives or nothing is paid to the Director on any other employees.
- Sarvesh Gupta:** Okay. On the cotton business sir this year I saw your inventories are higher by around 10% compared to last year. So, what is the outlook now that we are already reached end of May so what is the kind of outlook on the number of packets for this year in terms of growth versus last year given also significant increase in the cotton prices compared to last year?



Mithun Chand: I don't know where you got the number of the inventory of the 10 lakhs higher than last year.

Sarvesh Gupta: I am just going by the inventory value on your balance sheet as on 31st.

Mithun Chand: No, there are other crops as well, the inventory value has gone up in maize and rice which is a growing crop, and we want to be keep some buffer stock for that. I don't think cotton as an inventory had gone up, like 10%, 15% up than last year it should be in-line with last year network. I will give you clarity later on, but in terms of the pricing yes the MRP has been increased around 4% or 5% this year roughly around Rs.35 compared to previous year, so that is further replacement for the company what we can retain that we need to see now. In terms of the sentiment for the cotton growth it should remain stable. Earlier our alternate process has also done well even though the commodity prices are up but the sentiment, the farmers have mixed sentiment in some crops, the other crop say for example Gujarat, Maharashtra, alternate crops like Soya and ground nut have performed well last year. Only in Telangana we see a positivity for cotton, but overall if you see the cotton acreage remained to remain stable compared to previous year.

Sarvesh Gupta: Okay, so against the earlier long-term guidance of maybe 10% odd growth in cotton and 20% growth in non-cotton for this year, should we assume that there will be 0% or 5% growth because of the sales price increase in cotton, 0% to 5% in cotton and 20%, 25% in non-cotton is that sort of a guidance for this year?

Mithun Chand: Yes, so if you see last year, we have said if you see the growth in non-cotton segment more than 26%, 27% compared to previous year and quarter was slightly lower. So, we still stick to the guidance of 10% to 15% of an overall growth. Saying that 5% to 10% in cotton and 15% to 20% in non-cotton still the same guidance. That might be a contribution of the price and some with the contribution of volume. As we are increasing our market share in some of the areas. So, that also should translate for our growth in cotton. But anyhow, as I said that cotton should be a stable crop, but non-cotton crops are also doing well. So, we are focusing more on non-cotton growth. Overall, we should be in that 10% to 15% range.

Moderator: Thank you. We'll move on to the next question from the line of Sumant Kumar from Motilal Oswal. Please go ahead.

Sumant Kumar: My question is related to cotton. So, what's your view on sowing acreage for cotton number one, number two if you are talking about 5% to 10% growth, so overall the major growth is going to happen through volume and when?

Mithun Chand: As you could see the overall acreages as I explained earlier the cotton acreages should remain stable, it should be more in (+/-2%) compared to previous year. And in terms of the prices the prices are up by 4% to 5% this year and we see a light increase in volume. So, the cotton growth both in terms of the prices and in terms of the volume it should be between 5% to 10%. We still stick with that guidance.

Sumant Kumar: Okay. So, overall the sales volume in FY22 would cross FY20 level 7.23 million ?

Mithun Chand: It should, it looks like it should be a slightly in-line with last year. But it's too early we will see the arrival of the monsoon, right now it's just delayed by two days if not impact cotton crop, but we'll need to see. As of now it look fine.



Sumant Kumar: So, your commentary is overall cotton sowing is likely to be a couple of percentage higher than FY21 level?

Mithun Chand: No, what I meant it should be stable plus or minus 2% it should.

Sumant Kumar: Okay, so in that case, if we are saying 5% to 10% and if the 5% growth is going to happen in the percent side. So, can we assume the FY20 we have sold a 7.23 million packet and FY21 we have sold a 7.1. So, overall FY22 should be a level of FY20 or higher than that volume terms?

Mithun Chand: We are seeing at least 2% to 5% growth in the volume that we need to see, it should be in-line with that number. So, what we see is that 5% growth is the revenue segment and 2% to 5% growth in volume segment.

Sumant Kumar: So, in that case are we not gaining market share for cotton segment?

Mithun Chand: Definitely we are gaining market share.

Sumant Kumar: Pan India's level I am talking of?

Mithun Chand: Yes, they are gaining market share across most of the places, only in Telangana and Andhra we lost market share but across all we gained market shares.

Sumant Kumar: Okay. So, overall can you talk about how much market share we have in pan India and how much market share we gain in FY21?

Mithun Chand: So, we have gained close to 0.5% or so last year in terms of the market share, we are close to that 17%.

Sumant Kumar: Okay. So, we are expecting a further market share expense?

Mithun Chand: Yes. We are even seeing a good growth in North Indian this year and even Telangana also.

Sumant Kumar: So, overall we are hearing there is a higher oil seeds price, soya bean is likely to be higher acreage sowing in this time. So, are the cotton area is going to be soya bean side, any crop pattern shift can you talk about in your key market?

Mithun Chand: When we talk about the crops overall India that's where we say it should be stable because some areas like Maharashtra or Gujarat, it may come down whereas in Telangana and AP the cotton might go up even in Karnataka the cotton might grow. So, overall if you see, even in Maharashtra there are some areas where the cotton should come down, when the cotton should go up. There are some areas, so overall we see it should remain stable.

Sumant Kumar: Okay. And what about the maize, the current scenario, the overall all the prices are up. So, is crop pattern shift going to save the maize, or still the maize is likely to do similar level of FY21?

Mithun Chand: Maize last year Kharif was good, Rabi was bad when compared to Kharif but Rabi the prices were pretty low, that also impacted and the late crop also impacted maize from last year, in terms of Rabi but right now in the last few months maize commodity prices have also improved so the sentiment has slightly come back in terms of maize, so we see the maize acreage also should be in-line with last of years Kharif growth, so it should be good.

Moderator: Thank you. The next question is from the line of Viraj from Securities Investment Management. Please go ahead.

Viraj: Most of my questions have been answered, I just have one question, for maize and rice, how would a par min in terms of core seeds and new seeds would have changed and what is our market share now in the new states?

Mithun Chand: In terms of the mix, we already given in the presentation right now, I don't have the presentation on hand, but it's already there in the presentation, the contribution of the new products for both all the crops. Can I get to your next question, what was the other one?

Viraj: Sir, the next question was under market share for maize and rice, what is the market share now, overall and also in new states?

Mithun Chand: We have our increased market share in rice in the last three years we are almost close to 10% market share in price, in the last year and we still pay as a market share growth even this year. And even in maize we are improving our market share, we are close to the 10%, 11% market share even in maize.

Viraj: Who are we gaining from sir, just to understand because the market is relatively more concentrated in these two crop so?

Mithun Chand: So, it's very difficult to say whom we are gaining from because we have just gained 0.5% or 1% or 2% so that should not impact much of the other parities. Generally there are so many players in the industry, so it's some weaker parties are losing, we can't clearly point out that something we are gaining with, but overall we are gaining on market shares.

Moderator: Thank you. The next question is from the line of Aashiesh Agarwaal from Pareto Capital. Please go ahead.

Aashiesh Agarwaal: Sir, I have two questions regarding our growth plans. So, one, I noticed that you've crossed 1 lakh acres of farmland under cultivation for production of seeds. Until last year, you were reporting this number at +65,000. So, I wanted to understand what is the percentage increase that they're seeing, what was it say last year, say about 70,000 or 80,000 and what is it this year and do we expect a similar tractor in revenues going forward?

Mithun Chand: If you are clearly talking about the production acreage somewhere more than 25% compared to previous year and most of the acreage is gone up in the production for maize and rice and the others also like bajra and vegetables have also gone up. We cannot give you clear answer to your question, we can't directly relate that increase in the production area doesn't translate to the revenue. Sometimes with plan ahead for some inventory and for the buffer stock. That all depends on the crop to crop.



Aashiesh Agarwaal: Okay. So, basically you are saying that this has gone up by 25%, but it may not necessarily translate similarly into revenues, is my understanding correct?

Mithun Chand: Yes.

Aashiesh Agarwaal: Got it. Sir second question is, you've been also investing a lot in manpower resources, as you mentioned. So, if you could just like quantify where from your employee strength has gone up from where to where, and of course one part of it is an R&D. So, if you could throw some light as to what kind of increased number R&D that you're looking at. And whether you require additional manpower investments and your other lines of activities also?

Mithun Chand: Employee cost, the permanent employees are close to like 1050, close to 1050 compared to 930 last year it's up by close to 12% to 14%. Majority of the employees have gone into R&D and the supply chain. Supply chains include the production also. So, these are the two areas where we are seeing increase in majority of the work force has gone into and some in the marketing part where we are entering in the new segments.

Aashiesh Agarwaal: Sir do you think that your manpower requirement will increase at a similar pace, or you think you're good for at this level for the next two or three years?

Mithun Chand: It should be good for that, unless and until we grow much faster than what we estimate otherwise, if you see what we are spending even now, what the majority of the head count is increase in R&D, so that translates to the revenue going forward in couple of years. We are investing for that, but for your question in terms of the market, we are very much well behaved and we don't require much of man power in this, really in terms of the marketing.

Moderator: Thank you. The next question is from the line of Rajnish Menon from Master Capital. Please go ahead.

Rajnish Menon: Sir, my question is regarding your subsidiaries like I could see on your website, the numbers are given only till 2018. So, you had a subsidiary Kaveri Microtech which was doing crop protection some fungicides, pesticides, and bio fertilizers and all you had started. So, how do you see that, is it still there and how is that business growing, and we have so much cash are we planning anything, deploying some cash over there and growing that side of business, which is again a very big business, as far as size is concerned, crop protection and micronutrients and all that?

Mithun Chand: As you rightly said, we deal with the micronutrients and bio products, bio products include bio pesticides and bio fungicide both. Basically, it's all about bio, we don't use any chemical activity, except for the nutrients. So, we are focusing on that, we are in developing those products year-on-year they are growing by more than 10%, to 15% of the revenue. But this is a really small way, we are basically concentrating on the products. In terms of the cash deployment, it's a cash generating company, it's a zero debt company and every year we generate cash from that entity as well. So, we don't require any cash development in that. But as you have said that it's a very big market and a growing market. But it's a very crowded market, and very competitive market because most of them have all those types of molecules or those type of chemicals, it's not like seeds, it's like a push product. So, we are



focusing more on the products sense, after the production sense we can easily market across, we are slowly adding some states to it. Down the line next three years, even that should have a good contribution to the top line.

Rajnish Menon: Okay. Cash requirement I meant was that we have so much cash on the books. So, maybe if you're looking out for some acquisition in that, if we are not able to grow so maybe we can acquire some brands or some small companies available in those lines, in that crop protection?

Mithun Chand: To be frank, as of now we are not looking to acquire any companies in those segments, because we have enough products, and enough work has already been done in the company and the companies end and we are marketing and if you see majority of the revenues are only from Karnataka because we have only started in these two states. In the recent three or four years we have expanded to other states so that is also picking up.

Rajnish Menon: So, distribution channel is same right?

Mithun Chand: No, we operate on a different company itself, the employees are different, the staff is different. Because it's a yearlong business whereas seed is a very short window.

Rajnish Menon: Okay. And sir my second question is regarding the seed business, there also are you looking to use this cash for some use because if the company is doing a 10% to 15%, like if the management's vision like if we want to grow at 20%, 25%. So, what is the thinking on those lines in acquisitions or some seeds business or some products where we are not available, not present right now?

Mithun Chand: We are already working on that, for example if you see the vegetable segment, which was, even you are there you are very weak in that segment, in the last 8, 10 years, we are focusing more on that now, you are seeing a decent size of vegetables, and we are almost there by 40% vegetables compared to less than Rs. 1 crore for the year. So, we are focusing on those crops, including mustard we have entered in the last couple of years, when we see mustard which is a good crop. So, we are exploring all other options. And that's the reason we have said that the board is formulating a strategy to use the cash in a proper way for the growth. That's the reason we are working on it. Once the strategies form, definitely we'll get back to the investors and tell what are the group platform going forward.

Moderator: Thank you. We'll move on to the next questions that is from the line of Nitin Avasthi from East India Securities. Please go ahead.

Nitin Avasthi: The first question would be, there was an article which stated that Monsanto and – Nuziveedu have reached a settlement on their whole seed dispute. Now, where do we stand in that whole dispute and what is the settlement, how does it impact the previous judgment of royalty and everything, in the big debate that has happened for so many years?

Mithun Chand: Frankly, I don't have idea about their judgment and their settlement. But when compared to our company with Monsanto, we don't have any pending litigation or any litigation as such, all the litigation was clear long back, and we don't have any as of now and that will not impact our royalty portion.



- Nitin Avasthi:** Okay, noted sir. Sir second question would be since oil seed acreage is expanding rapidly in the country and the government is also giving it a big push. And in the conversation itself, you had mentioned mustard some time back. So, I would just like to ask you what's your portfolio, out of the total portfolio revenue wise what is the portfolio size of oil seeds, what is the dominating oil seeds and how is the focus and growth coming on in that division because what I am seeing is a lot of these government institutes are doing a lot of work and patenting a lot of things around this. So, are we also gaining ground on the oil seeds front, do you see an actual path where oil seeds could become the next big thing in India?
- Mithun Chand:** Yes, so the oil seeds most of them is like soya, groundnut or sunflower or mustard, but we work only in the places where the hybridization is followed. So, we are working in sunflower. Now we are working in mustard, wherever there is scope for hybridization we are working in that segment. Rightly said, going forward mustard looks a very good crop for us because government was also saying the doubling of the farm income and we are importing most of the oil from other country, so mustard looks good for us, that's the reason we are focusing on mustard for the last couple of years. As of now it's very small but going forward it might be huge.
- Moderator:** Thank you. The next question is from the line of Rohan Modi from RRN Advisors. Please go ahead.
- Rohan Modi:** Sir, my question is, how you maintain your working cycle, towards your by quarter, by quarter can you explain that?
- Mithun Chand:** Sorry?
- Rohan Modi:** How do you maintain your working capital cycle throughout your, by quarter, by quarter. Can you explain quarter-by-quarter your working capital cycle?
- Mithun Chand:** So, we get advances from the distributors in the month of, in the last quarter of the year, that we utilize is to pay to the farmer, there is a production farmer and after June we get the amount from the distributor's end and from the distributor for the sale. So, usually we don't see any working capital figure as such and here we have enough cash to use for the working capital, in fact if you see it should be a negative working capital for us.
- Rohan Modi:** Okay. So, you are maintaining by taking advance and payable to the farmer?
- Mithun Chand:** Yes.
- Rohan Modi:** So, how is the term to the farmers, how much you pay to the farmers?
- Mithun Chand:** Farmers in the sense, this is the production per month not the normal commercial farmers. To the farmers is what we pay for the raw material.
- Rohan Modi:** Yes, so which did you pay the farmer?
- Mithun Chand:** That all depends on the crop to crop, location to location, area to area, so that each have different terms but, most of the payment is done after we receive the crop.

Rohan Modi: So, what are are growing in Rabi season or Kharif season for?

Mithun Chand: Across the year we produce, different crops we produce across the year. For example, cotton we produce in Kharif and the duration is also higher, the other crops we produce in Kharif wherein the duration is lower. That all depends on the crop-to-crop, area-to-area, hybrid-to-hybrid all depends on that.

Rohan Modi: Okay. So, some payments are done half production and some payments are done after fully product?

Mithun Chand: Yes.

Moderator: Thank you. The next question is from the line of Himanshu Upadhyay from PGIM Indian Mutual Fund. Please go ahead.

Himanshu Upadhyay: My first question was on the cotton side, the government has allowed for a price rise of Rs.37 for this financial year of crop sowing, how has that 37 flowed in the market and have people raised the prices or you think price rise has been much minor in the market can you elaborate on that?

Mithun Chand: Definitely it's a government order, the MRP has increased by more than Rs. 37 but it's close to 5% of the previous year. That all depends on the company-to-company how much they realized from the increased product, as we sell on demand, and we don't push and we don't add as a pull from the pharma side. We think out of this Rs.37 at least Rs.20 can be retained from the company and Rs.17 we need to see as of now, because we need to share with the distribution channel or not. That Rs.20 per share will be from the company's side.

Himanshu Upadhyay: And see in some of the markets AP and Telangana on cotton where we have lost certain amount of market share, over the last few years. What would be our strategy to get back market share or grow in. Any thoughts you can provide on that, on how you're thinking about those things?

Mithun Chand: Yes, definitely we have lost some market share from last couple of years but we are working back to increase our market share, for this year we think that we can slightly increase our market share compared to previous year. We have entered into new products, we have identified dealers, good areas where we can support without giving much of a credit. So, these are the strategies which we are following and there enough pharma engagement program also. We should see that how best we can sit into the market share as well, we have put our effort in that.

Moderator: Thank you. The next question is from the line of Samay Sabnis from Pareto Capital. Please go ahead.

Samay Sabnis: So, I would like to ask what is your state wise contribution in rice and cotton?

Mithun Chand: Sorry, state wise contribution?

Samay Sabnis: State wise revenue contribution in rice and cotton?

- Mithun Chand:** As a company policy we are not giving state wise contribution, competitors so we have stopped that giving that.
- Samay Sabnis:** Okay. And for FY22, can you give me the projections of volume and value in cotton, maize, hybrid rice and selection rice?
- Mithun Chand:** I have already explained it earlier saying that cotton should be between the 5% to 10%, 5% should be value and 2% to 5% should be volume and, it should be combination of both, majority of that will be driven by the volume.
- Samay Sabnis:** Okay. And regarding cotton your product ATM that seems to be quite old right now, because it was launched way back in 2014. And it still contributes a large share of your revenue. So, in cotton do you see growth there or like product like Viplav and Money Maker will also contribute to the growth?
- Mithun Chand:** As of now moneymaker is the largest contributor in the company, not ATM. Anyhow ATM will continue to be one of the strongest contributors at least for the next two to three years. The other products like Viplav and other hybrid what we have launched will definitely add to the revenues. But we will continue to be top three or four revenue makers in the three to four years.
- Moderator:** Thank you. The next question is from the line of Chetan Thacker from ASK Investment Managers. Please go ahead.
- Chetan Thacker:** Sir just two questions. One was, what was the overall maize size in terms of tonnage last year. And second is, if you can throw some light into the profitability for the quarter portfolio anticipated in 22, given the cost benefit that we are likely to witness and even the same amount of price increases that we can retain?
- Mithun Chand:** Regarding cotton, we see at least 4% to 5% increase in the realization compared to previous year. So, that should be directly down to the bottom line, 2.5% to 3% is from the increase in the price and 2% to 3% from the decrease in the cost of production. So, overall, it should like be 5% to 6% which should be the contribution as growth in the cotton segment. What was the other part?
- Chetan Thacker:** The total maize market size last year? In terms of this year. Sir just a broad estimate in terms of tonnage?
- Mithun Chand:** Sure. It was in between 85,000 to 90,000 tonnes.
- Moderator:** Thank you. The next question is from the line of Nitish Shah from Equitas Wealth. Please go ahead.
- Nitish Shah:** So, sir I recently read that few of the states have banned glyphosate. So, how do you think that will impact our demand?
- Mithun Chand:** Sorry, can you come back with the question please?



- Nitish Shah:** Sir, I was saying that recently some of the states have banned sale of glyphosate. So, how do you think that will impact this HTBT and ultimately, our cotton seed sale?
- Mithun Chand:** We don't do anything in HTBT, HTBT is a illegal sale. Definitely government is trying to cut down the illegal BT. We need to see going forward, most of the state governments are doing for the last couple of years, but they were not successful doing it. But we need to see how it will shape out, but as a company we don't deal with HTBT, but it should not impact much.
- Nitish Shah:** Okay. Sir I wanted to understand more on the side that it will have a positive effect on us this year or will it start impacting us next year, positively?
- Mithun Chand:** I don't see that will have much of a positive impact, because last couple of years also, we are seeing government banning it but still the farmers are using it and getting it in an illegal ways. But right now, because of the COVID condition and most of the state governments are even imposing it. We need to see how they can control it but, I don't see a much of a decline in illegal cotton compared to previous year.
- Moderator:** Thank you. The next question is from the line of Dixit Doshi from Whitestone Financial Advisors Private Limited. Please go ahead.
- Dixit Doshi:** Firstly, can you give us how much was the feel from export this year, and how do you see next over, let say next three, four years where it can reach?
- Mithun Chand:** Compared to previous year the exports were slightly down this year because of the pandemic situation we're not able to export to other countries. We have seen a 10% to 12% decline in exports but going forward exports would contribute well and we see at least 15% to 20% growth in exports in the next four years.
- Dixit Doshi:** How much was the sale for export this year?
- Mithun Chand:** It was close to Rs. 20 crore last year it, it was something like Rs. 17, 18 crore this year.
- Dixit Doshi:** Okay. One last question from my side, so I am sure you must have clarified that in earlier calls but since I was listening to this call for the first time. Can you mention why some of the steel companies are paying income tax and we are not paying income tax?
- Mithun Chand:** So, it all depends on the company policies that we can't comment as such, but we are claiming it in agriculture that is the reason are following this.
- Moderator:** Thank you. The next question is from the line of Manoj Shah from Laxgov Investments. Please go ahead.
- Manoj Shah:** My question is the respect to the cash on the books, do you have any plans to go for any acquisition of the companies in the near future?
- Mithun Chand:** If you see in the last previous year, we already distributed to the shareholders, by dividend or the buyback. But this year, we are formulating a strategy as a long-term



strategy for the growth of the company and reward shareholders. So, that strategy we are formulating, it will take a couple of months more. Most probably the next quarter we can give clarity, but we are working with growth and to benefitiate the shareholders in the long-term.

Manoj Shah: Okay, but specifically, you will be able get a clarity once the strategy is formulated that is what you are saying for the acquisition?

Mithun Chand: We are always open for the acquisition last time also, many years back also we said that we are open for acquisition, but provided that we rightly fit into the company products. So, that we are always exploring, if we are not able to utilize cash properly, definitely we want to reward to, give it back to the shareholders.

Manoj Shah: Okay. And how is the trend for this quarter, like April to June quarter is your main quarter, where you derived a larger chunk of the revenue. So, how will these two months have been so far?

Mithun Chand: So, it's too early the monsoon is yet to arrive, so majority of the sale comes only after the monsoon hit. So, right now, it's just a placement not much of the liquidation has been done. But in terms of the placement, we are in-line with our expectations.

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

Sarvesh Gupta: Just one question on this cotton seed price increase. So, out of this 5% hike so this will straightaway flow to the bottom line, all of it?

Mithun Chand: In the earlier question also, I explained that out of the 37 , Rs.20 should come back to the company and other Rs.17 we will decide whether that all depends on the market condition whether that B2B shared with the distributor or someone else. Rs.20.

Sarvesh Gupta: Sorry, 20 what was the number sir I could not hear that?

Mithun Chand: Rs.20 out of the Rs.37, Rs.20 can be retain by the company other Rs.17 based on the market condition.

Sarvesh Gupta: Yes, that is between you and your dealer network, right?

Mithun Chand: Yes.

Sarvesh Gupta: And out of the company, compared to the last year on a per packet basis is there any cost increase or anything, on this Rs.20 should directly flow to our bottom line?

Mithun Chand: This Rs.20 should directly flow down to the bottom line.

Sarvesh Gupta: So, so that Rs.20 into whatever 7 million packets.

Moderator: Thank you. The next question is from the line of Mukesh Panjwani an Investor. Please go ahead.



- Mukesh Panjwani:** My question is that what kind of revenue should we expect from vegetable and rice segment, five years from now?
- Mithun Chand:** Rice as a component it should grow at more than 20% for the next five years, as the rice market itself is growing and hybrids are doing well, not only present one even the pipeline itself grew and now we are developing other hybrids to cater to the other segments. So, definitely this year more than 20% growth in hybrid rice and vegetables definitely more than 25% year-on-year for the next five years, so this growth markets are growing, and we are also doing well and will do much better than the last year. 20% and 25% CAGR we can take for the next three years.
- Moderator:** Thank you. The next question is from the line of Nishith Mansata an Investor. Please go ahead.
- Nishith Mansata:** So, on the gross margin side, I saw that in the fourth quarter we got around 12 percentage points more margins compared to Q4. So, is that sustainable going forward, and like what were the drivers behind that?
- Mithun Chand:** Yes, it's a very lean quarter we can't compare that on a year-on-year basis, because a few lakh rupees makes that difference. But overall, if you see, the overall was almost the same, half a percent lesser compared to previous year.
- Moderator:** Thank you. The next question is from the line of Sarvesh a Retail Investor. Please go ahead.
- Sarvesh:** Sir, my question is regarding Telangana market share, most of the irrigation projects will go into complete in coming two to three year giving there will be a 20% or 30% increase in acreage. What are the strategies salaries that we are following to gain fresh market sales.
- Mithun Chand:** Sorry, I couldn't understand your question, can you just repeat the question?
- Sarvesh:** As most of the irrigation projects in Telangana state will get completed into coming two to three year. So, giving a chance to increase in acreage nearly 20% to 30% increase in acreages. So, what are the strategies, Kaveri uses following to gain the fresh market?
- Mithun Chand:** It's good that the Telangana government is consulting in irrigation projects and in fact, nearly 20% to 30% irrigation land has gone up. But it's good for the state and if you see most of the area is already in the rice cultivation. So, the farmer will have different options to go for that and we have enough products and enough baskets to cater all the requirements for the farmer. So, definitely it's a good point for the company. And being a Telangana based company definitely we will have an advantage on that.
- Moderator:** Thank you. The next question is from the line of Nandan Vartak from Wealth Managers. Please go ahead.
- Nandan Vartak:** So, my question is about, we have recently crossed a one lakh mark on acreage under cultivation for seed production. Can you split that between region like South and North and I'll add on the question after this.



Mithun Chand: As of now I don't have the exact figures of South and North, but we have increased across India, majority of the production locations are in South and Central part of it. So, we are increasing those parts.

Nandan Vartak: Okay. So, basically what I am trying to understand is the new addition if that has been Central or North part of India will that have impact on distribution cost and better availability in or due diligence like we are targeting now in Central and North region.

Mithun Chand: So, wherever we choose production areas we see that the productivity is higher and it's nearer to our forcing plans and definitely we keep in mind to reduce the cost of production as a whole. So, there is point, most of the points are taken care in setting up a production locations, so definitely we will try to raise the production cost.

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

Bharat Shah: What will be the percentage of the total profit pool from the non-seeds business for the last year?

Mithun Chand: Sorry, what is that?

Bharat Shah: Since the total profit pool, how much will be, the non-cotton seeds portfolio would have accounted for?

Mithun Chand: So, more than 70% of the profits is from the non-cotton segment.

Moderator: Thank you. The next question is in the line of Vikram an Investor. Please go ahead.

Vikram: What is the difference between hybrid rice and selection rice, opportunities of both of them. I wanted to understand the difference between hybrid rice and selection rice and opportunity in both?

Mithun Chand: So, hybrids, are like what we have a pollination process will be there in hybrid rice, whereas in selection rice it's a routine process. But these are the varieties which are developed within the company. So, it's a variety which are developed by the company so that is the reason we call it selection rice and the hybrid is where the artificial pollination is required that is called as a hybrid rice. Both the markets are growing, and that's the reason we focus on both the markets.

Vikram: Is there a difference in the quality or the product itself?

Mithun Chand: The process itself is different they both are different.

Moderator: Thank you. The next question is from the line of the Tushar Khurana an Investor. Please go ahead.

Tushar Khurana: Sir my first question is on the export side. So, as per the presentation, I could see that we are going to enter new markets. So, what could be the contribution coming from exports in the coming future for say next three to five years, what is the vision?



Mithun Chand: In terms of the competition, we don't see a new competition coming in because it's a very long gestation industry, so the competition which is there now it's only come in for the next five to seven years. So, we need to compete with current, at least for next five to seven years.

Tushar Khurana: But sir in terms of percentage, that could be the contribution coming from the exports. What could be the contribution in terms of percentage in overall revenue in the coming years that we could anticipate from the exports?

Mithun Chand: Are you are talking about exports?

Tushar Khurana: Yes.

Mithun Chand: Right now, it's a Rs. 20 crore and is just 2% of our total revenue or we can double revenues in the next four to five years, so that should be added in the same percentage of 3% to 4%.

Tushar Khurana: Okay. And my second question is sir, what could be the top line, how can it grow in the next three to five years, any target that we have set for ourselves?

Mithun Chand: We have given a guidance saying that 10% to 15% top line growth or 15% to 20% bottom line growth for the next three to five years.

Tushar Khurana: Okay, and then my last question sir maybe a repeat question because I was not on the cash on the books that we have earlier. So, how are we going to utilize that cash, is there a buy back on the cards?

Mithun Chand: We always bring the buyback for the last three years definitely, that is one of the options we have.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for their closing comments.

Mithun Chand: Thankk you all for the participation and for any further queries or inquiries, you can just reach your investor desk, which is mentioned in the presentation. Thanks and be safe, bye.

Moderator: Thank you. Ladies and gentlemen, on behalf of Kaveri Seeds Company Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.