



“Kaveri Seed Company Limited Q1 FY2023 Earnings  
Conference Call”

**August 11, 2022**



**MANAGEMENT: MR. MITHUN CHAND, THE EXECUTIVE DIRECTOR,  
KAVERI SEED COMPANY LIMITED**



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**Moderator:** Ladies and gentlemen, good day and welcome to the Kaveri Seeds Company's Q1 FY23 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode/there will be an opportunity for you to ask questions at the end of today's presentation. Please note that this conference is being recorded. Joining us today on this call is Mr. Mithun Chand – the Executive Director. Thank you and over to you, sir

**Mithun Chand:** Thank you. Good evening and welcome everyone to our Q1FY23 earnings conference call. We hope you have had a chance to review the presentation of our results, which is also available on our website. I will touch upon the operational & financial performance of the company and then open the floor for a question-and-answer session.

We have achieved pre-COVID level revenue and are on a growth path to achieve better volumes of revenue during the year. Despite an increase in sales during the quarter, the company managed to keep production costs and other expenses constant resulting in higher EBITDA and PAT levels. EBITDA and PAT margins during the quarter grew by 427 and 332 basis points respectively.

Increased cotton acreages during the current year were driven by high cotton prices and market share gains on account of marketing efforts. The use of illegal cotton seed has come down and organized players have gained market share in cotton seed.

Higher growth of cotton acreages is reported from the states like Andhra Pradesh, Maharashtra, Gujarat, Karnataka, Rajasthan, Orissa, and Tamil Nadu and less area is reported from the states of Telangana, Haryana, Madhya Pradesh, and Punjab. The delay in the arrival of the monsoon across India till June 15, 2022, has impacted farmer's sentiments. Now with the onset of the monsoon across India and fairly good rainfall, we are expecting double-digit growth in maize, rice, sunflower, and vegetables in the second half of the year.

Despite a 15% decrease in rice acreage, due to rain shortage in some regions of the nation, we have surpassed the markets in terms of volume growth. We continue to see encouraging growth in vegetable seed acreages, volumes, and revenue growth. Across all segments including cotton, rice, and vegetables we have introduced new variants and have witnessed a growing contribution from new variants across the segments.

Financial highlights, revenue from operations was at 731.95 crores as compared to 682.41 crores in Q1FY22, registered a growth of 7.26%. EBITDA was at 239.93 crores as compared to 194.55 crore in Q1FY22; increased by 23.32%. Net profits was at 240.6 crores as compared to 201.75 crores in Q1FY22; registered a growth of 19.29%. Cash on books stands at 559 crores.

Segment-wise highlights:



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Cotton volumes increased by 8.33% and revenue by 3.8%. New products in North market include Viplav, KCH 111, Money Maker and KCH 9333. Hybrid rise volumes grew by 6.09% and revenue by 1.02%. Robust growth has been possible by the introduction of Novel hybrids KPH471, KPH473, KRH7425, and KRH 7299. Selection rice volumes grew by 15.2% in financial year 2023. The contribution of new products was up from 18.02% to 23.49% of volumes. New products in selection rice are doing well like KRV0511, KRV 0501, and KV99 helped us increase the volumes. Maize volumes increased by 24.43% and revenues by 13.46%. Contribution of new products was up from 18.08% to continue 28.62% of volumes. Vegetable seed volumes increased by 25.9% while revenue decreased by 2.54%.

R&D continues to be the backbone of the company we continue to launch new products every year across seed segments to drive revenue growth.

I will now open the floor for the question-and-answer session.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Nitin Awasthi with Incred Equity. Please go ahead.

**Nitin Awasthi:** Hello sir, thank you for the opportunity. The first question I would like to ask is that we have seen volume growth far exceeding the revenue growth in almost every segment and why is this so? Why is the revenue not matching our volume growth or exceeding our volume growth in most of the segments? Our volume growth is very far ahead of the revenue growth for most of the segments. So, are we taking price cuts, and specifically this question goes for the cotton segment, are we selling cotton for lower per packet than what we saw last year?

**Mithun Chand:** Good observation. For most of the segments, we have done lower growth in terms of the revenues versus the volume, especially in cotton. This time, we have seen a lot of competition in the cotton segment. Even though the illegal BT was not sold, the smaller companies with the low realizations had an impact in the market, which is the reason we lowered our realizations in cotton and we are expecting to give more discounts to dealers going forward. In terms of maize this time, some quantity came from subsidy, usually government sales are lower in terms of realizations when it comes to the mainstream hybrids and the hybrids, further what we sell in government subsidy is also lower. These two are impacted to some extent.

**Nitin Awasthi:** And for hybrid rice?

**Mithun Chand:** Rice, there is marginal decline, as although the acreages were down significantly, we had a good market share. So, we have given some sort of an incentive for hybrid because there is a marginal decline in the revenue when compared to the growth and whatever scenario we have seen, it is a temporary process only for this year that has impacted the margin to some extent, but when you compare the margins with respect to the previous year the margins have



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improved, we have managed well in terms of the production costs, and in terms of the operational efficiency. So, going forward, they should not affect that much.

**Nitin Awasthi:**

Okay, that's fair. Sir the second question is, although your margins are better than last year, but if you still compare yourselves to something again like FY20, your gross profit margins are lower and I just want to understand, what would you call impacting the gross profit margins? Is it our costs going up or is it the discounting we have given, which is impacting our gross profit margins, because of which, you know, compared to previous glory years, we are only called gross profit margins are lower than 50%.

**Mithun Chand:**

If you go back to those levels, there is a decline in the margins of close to 2.5% to 3% compared to the FY20, where we had a high margin and it is because of the discount that we have given as well as the R&D spend, that we do year-on-year basis, which is much higher than what we used to do in 2020 adding to the cost of consumption. So, both have impacted marginally. So, once we grow our revenues that should not make impact.

**Nitin Awasthi:**

Okay, and how do you see this going forward? Because discounting is, like you said, smaller players are becoming more stronger in the cotton segment. So, how do you see this scenario playing out in the future? Do you think you will have to keep cutting prices or smaller players will go out of the market or will they become more dominant?

**Mithun Chand:**

This is a very temporary phenomenon. If you see the cotton production cost, and the cotton the commodity prices both have gone up, usually the production costs are in line with the commodity prices as the commodity price goes up, the production cost is also higher and that's the reason if you see the cotton selling price, the MRP has gone up to the Rs. 40 odd this year when compared to the previous year. But in fact, because of the high competition in the market, and the smaller players were able to push it for lower price, because most of the hybrids are very pretty old hybrids. So, that we were not able to realize on the market, but they said earlier it's a very temporary phenomenon. Usually, we see one or two years of this slide in the cycle of 10 to 15 years. So, that should come back. But the other point of what we need to see is that even the government has realized and increase the cotton prices per packet this year, but we are not able to pass it on to the farmer, but we are pretty confident that going forward we will be able to realize more in this cotton segment that will again improve the market.

**Nitin Awasthi:**

Got it. Sir, last question from my side what is your market share in cotton for this year

**Mithun Chand:**

We will be close to 16 to 17% slightly up from the previous years. We maintain the same way. We have increased the market share in states like Gujarat especially we have invested a lot in Gujarat. We able to make some sort of a penetration in Haryana and Punjab. Maharashtra, we were not able to increase the market share but whereas in states like Telangana and Karnataka we were able to maintain our market share.



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- Nitin Awasthi:** Lastly, illegal cotton seeds what would be that as a proportion of the whole sale?
- Mithun Chand:** Illegal cotton seeds come down from when compared to the previous year. We have seen a lot sort of an impact in terms of the productivity last year even the farmers have realized that the legal BT cotton may not fetch more in terms of the productivity and most of the seeds are not gaining in, which will be control and what assistance we did. So, they are moved to the organized players but if smaller players where I mean to say not the highly brand highly priced one, but more to the organized segment and I do not see going forward the illegal BT will increase. it should come down going further. The percentage should not increase.
- Mithun Chand:** Okay sir got it. Thank you so much sir.
- Moderator:** Thank you. The next question is from the line of Yogesh Mittal, an individual investor, please go ahead.
- Yogesh Mittal:** Thanks for giving me the opportunity. Good afternoon. The question is regarding jawar and the sunflower. I wanted to understand the sales contribution for these two seeds separately and what do we see as the outlook for these for next few years.?
- Mithun Chand:** In terms of the jawar, it contributes very small, but it is a crop, which is slightly gaining some sort of momentum, but it will not be as big as the other crops. Whereas sunflower, we have seen a huge increase in the oil prices that have impacted the commodity prices of sunflower as well. So, that has made farmers to move towards sunflower. This year we have almost doubled our quantity in sunflower as compared to previous year. In fact in terms of the revenues can contribute close to I mean to say 23 to 24 crores of revenues in sunflower against seven or eight crores last year. Still we see a good contribution coming from the Rabi but it will not be big but in terms of the base it will be like at least like 50 to 60% more anyone in Rabi and Sunflower still continue for next year or two we see a good as the oil prices are high we see a good intake I mean to say increase in sunflower sales, but going forward Sunflower being as big as cotton or rice that we doubt as I have got the sunflower potential. As we are one of the largest players in sunflower we try to take the advantage of that.
- Yogesh Mittal:** Sir the second question is about the illegal seeds. I wanted to understand. So, does there is a mechanism for the crop insurance. If a farmer buys illegal seeds, are his crops covered with the crop insurance in case there is a there is a failure for the yield
- Mithun Chand:** I am not sure that like if all the crops are covered under the crop insurance, very few crops with very few insurance agents cover it but basically it not depends on the productivity, it depends on the like rainfall and other parameters for the industry on which they decide on the rainfall and the other aspects.



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**Yogesh Mittal:** Right sir. The question was regarding basically in case any crop is covered, and if the seed is illegal, whether that will be covered or not, my understanding is it should not be covered whether because if it cannot be produced as a bill for invoice for that, does that make sense?

**Mithun Chand:** What I was trying to say is that illegal BT is only there in cotton that is only a few part in entire segment. If you take India. India is 156 million hectare out of which cotton has 11 million hectares and further out of that illegal BT is like this 0.5 million hectares not more than that. So, that's small portion and usually insurance companies did not go in depth with that and insurance is not covered across and most of the crops are not under insurance. So, once they cover the entire cost and they formulate a policy that they may come up with that.

**Yogesh Mittal:** Sir great and we wish you all the best. Thank you so much.

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

**Anurag Jain:** Good afternoon, am I audible.

**Anurag Jain :** Yes. Good afternoon. Sir, my question is in Q1 FY23, the other segment which is basically apart from cotton, maize, rice and vegetables, they have grown 90% so to 43 crores from 22 crores last year. So, one as you have explained just now, that sunflower was a big contributor, Apart from sunflower which is the other seed which has been a big contributor in this segment.

**Mithun Chand:** That is already mentioned in the earlier comments and in terms of the presentation as well. The major contributor is maize, which has grown by more than 13% in terms of the revenue as an individual crop.

**Anurag Jain :** No sir. Let me explain the question again, apart from the top four or five crops for which you disclose the details separately, there is the other segment the other segment has grown last year it was 22 crores, this time it is 43 crores. So, in this segment, as you have explained earlier, sunflower is a major contributor which has grown significantly. So, apart from sunflower in the other segment which is the other seed which has grown significantly because this has almost doubled from 22 to 43 crores?

**Mithun Chand:** In terms of 22 to 43, the growth is like 20 odd crores, the 20 odd crores majority of that 80 to 90% of the growth is from sunflower. The other segment like Jawar, pulses are the other segments which have grown but it's hardly one or two crores not more than that even pulses is one part in that.

**Anurag Jain :** And sir this means that now sunflower is contributing as much as vegetable seeds is becoming a segment close in terms of size to the vegetable segment. Am I correct in saying this?



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**Mithun Chand:** We were big in sunflower from last many years as a sunflower acreages are coming down and we were not able to do revenues. But last year and this year, we have seen a huge growth in sunflower and that may continue for some time, but vegetable as a segment is a much larger segment than sunflower and vegetables is growing at more than 20% year-on-year. What we see going forward is our vegetables share surpass the sunflower sales when you compare on the first quarter to fourth quarter basis both looks similar or comparable, but at the year-end vegetable should be far better than the sunflower and going forward vegetable will easily surpassed the sales of sunflower in the coming year.

**Moderator:** The next question is from the line of Nishith Shah with Equitas Investment, please go ahead.

**Nishith Shah:** Good evening, sir and thank you for this opportunity. Sir, I wanted to understand is there any update on BT 3 site any regulatory update?

**Mithun Chand:** That is a government policy. We do not have much decision to make on it, but in terms of the progress of the other new technologies the technology provider now Monsanto is taken out by Bayer. I think they are forwarding their case and they are submitting the samples and the reports on that in terms of the moment of the in the technology. In the present year is far better than the previous year. So, we are pretty much hopeful that definitely in a year or two, we will definitely have some sort of clarity in terms of the introduction of new technology not only for this one is and for the future technologies as well.

**Nishith Shah:** Okay, and sir I would like to understand what is our target for the R&D spends for the year.

**Mithun Chand:** We are year-on-year increasing more than 15 to 20% in R&D spend and now we are setting up a new R&D center which itself cost like 35 odd crores that will be about two to three years and we had setting that specialty for biotechnology and for the genomic advanced technology and that is an integrated part of both the technology. So, we are continuously spending on it, and we are adding new staff and the breeding programs are strict now and apart from the new, some of the crops are also being added. For example, we have added mustard in the previous year. Now we are working on soy and wheat is also there. So, we are working on different crops. So, R&D going forward year on year 15 to 20%, more should come for at least for next four to five years apart from some sort of mechanics and then year-end CAPEX is whatever is like expensed that should not be given at a separate heading.

**Nishith Shah:** Okay and sir lastly, how do we see our exports, an outlook over there?

**Mithun Chand:** Our export look good. In fact, we have given a sample and we are trying to raise some of our companies in other countries, it is a very procedure drawn process, we need to test it and it takes a longer time, but we have spent like three to four years in most of the countries and they make one or two years, we will be able to make some sort of a development there and in terms of the exports in absolute terms, we have done close to 18 crores to 19 crores last year. This



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year, they should be like 15 to 20% more than that, but with a small base and in the previous two years, we were not able to export it properly because of the COVID restrictions. Now most of the countries are free to do it. We are very much confident that we will make an in road in the export market and once we get the approvals and the formal raise sessions across all countries, then that that will definitely go and export as a market will contribute a decent size going forward in the next four to five years that that is how our work is being done at the company level and our progress is very good in that way.

**Nishith Shah:**

Okay, that's all sir. Thank you.

**Moderator:**

Thank you. The next question is from the line of Vidit Shah with IIFL Securities, please go ahead.

**Vidit Shah:**

Hi sir and thank you for taking my questions. Sir my first question was, you have previously guided around 15 to 20% volume growth in the non-cotton segment. So, now given that we have been taking price cut, could you give some sense on where we can expect revenue to be at? Should we expect something like 5 to 10% revenue growth or would it be more flattered?

**Mithun Chand:**

As far as I recollect I said that 5 to 10% growth in cotton and 10 to 15% growth in non-cotton and the profitability it should grow in between 15 to 20%. So, we are slightly down in terms of revenue growth, but in terms of the profitability, we are more than that 15 odd percent, but anyhow, going forward, we see that we see a very good Rabi coming up. We see a very good sales in maize and even in vegetables are contributed a decent number this year compared to previous year. So, we should be in line with that 10 to 15% growth as the company as a whole and this time was an exception year where you have seen that the volumes have grown, but the revenues are slightly down because of the competition and other aspects, but that is a very temporary phenomenon, a seasonal phenomenon, but going forward, that should not be an issue and we are fairly confident of 10 to 15% as a growth in the next three to five years as revenue growth.

**Vidit Shah:**

Got it sir, just to stay on the line of this competitive factor you said it is a temporary phenomenon and should not last more than a year or two. So, can we expect like these EBITDA margins at around 28-29% in FY21 and 20. Can we expect these to return by FY24 and should it take slightly longer either?

**Nihar Chheda:**

I do not think it should take longer time because if you see the margins when compared to the 22 to 23 when compared to the first quarter of it. We are up by around like 4 to 5% of the EBITDA margins. If you compared to the year end it should be like that 26 or 27% slightly lower than one or 2% lower than those years, but it's a very thin it's like it's a very small gap between those levels and I am pretty confident that a year or two should come back. By 24 definitely I think it should come back to those levels. As I said that even the cotton prices were





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increased by the government. The MRP were increased in cotton prices, but we are not able to realize because of the competition, but that should not last long.

**Vidit Shah:** Okay. So, if you could just explain some further how to like what are the smaller players and like, how was it possible for them to sort of gain market share or what was their competitive advantage other than that farmers operated to take that phase and how will this situation reverse in the coming year.

**Mithun Chand:** Basically, if you see the hybrid, which are there in the market, most of the hybrids are the old hybrids, I mean to say these are these were all released like four or five years not only for Kaveri, the entire industry were not able to produce newer hybrids and now most of the companies including Kaveri has such new hybrid wherein we get new market shares in that, and we were not able to show much of it like difference between the existing hybrids and the new ones, but the pipeline hybrids and the newly tested hybrids are doing well. So, that will contribute to the majority of the revenues for the industry in the next two to three years, then I mean to say like visible productivity difference in these hybrids that then that will go to the organized players

**Vidit Shah:** Okay fine. Understood sir. Thank you.

**Moderator:** Thank you. The next question is from the line of Yogesh Tiwari with Arihant Capital, please go ahead.

**Yogesh Tiwari:** Thank you sir, for taking my question. My first question basically is you had mentioned that the illegal seed that is facing some challenges. So, just wanted to understand if there is a structural change in illegal seed being disrupted or is it just a one off.

Mithun Chand: We were saying that last year the illegal BT had gone up because the COVID condition the availability of the organic seed was also lower and they were not able to distribute it properly and last year, the illegal BT has gone up when compared to the previous to previous year and the farmer has seen that the productivity issues and most of the illegal BT what this whole claiming that it is a sustained weedicide but that was not the fact. So, most of the crops were not able to withstand those things and the productivity will also lower as the technology is only one factor but the other things like the productivity like the hybrid that they were not able to demonstrate it and the farmers are not happy with that is the reason they have returned back to the illegal or the organized players.

**Yogesh Tiwari:** So, sir we can assume that this is irreversible now like illegal seeds will not be able to take away market share from organized players.



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- Mithun Chand:** I do not say that it will be zero, but I do not see the growth coming in those segments it will be slightly sideways based on the commodity price and the availability of the organized but it will not grow like what how it has grown in the last couple of years.
- Yogesh Tiwari:** Yeah, and Sir, it will be helpful if you up there can be some quantification of how much market share can the organized players take away from illegal players illegal seeds.
- Mithun Chand:** Usually the illegal BT is sold like 40 to 60 lakh packets roughly that should not so much.
- Yogesh Tiwari:** Sure sir and my second question is on vegetable seed volumes. So, it has increased by about 25% while revenue has declined by about 2.5%. So, I assumed that as you mentioned it is because of discounting.
- Mithun Chand:** So, not exactly in terms of the vegetables because vegetables seed is very difficult to compare with volumes to prior revenues because most of the OP went in vegetables this year for example, the hybrid okra and varietal okra the volumes and the price are very much differentiating. I mean to say that the other segments seed went in vegetable. That is the reason we have shown some sort of a decline but in vegetables the realizations are same as compared to last year, but other seeds went in vegetables. Vegetables, we market close to 15 varieties of vegetables some with the high volume and low price, some with low volume and high price.
- Yogesh Tiwari:** So, basically it is more related to the products mix between.
- Mithun Chand:** Yes, exactly.
- Yogesh Tiwari:** And discounting is not much in vegetables, right?
- Mithun Chand:** Yes.
- Yogesh Tiwari:** And sir if you can give any blended so as you told that there was some discounts given to the dealers, so can you, if you can share any blended numbers, what would be that percentage of discount,
- Mithun Chand:** Basically the majority of the discount if you see the first quarter that there is a huge gap between the revenue I mean, there's like 6 or 7% gap in between revenue and the realizations, volumes and revenue is only in cotton. That is where we have provided more discounts to the dealers and if you see maize, we are not provided much in some of the trade because of government sales the revenue is slightly down but otherwise in trade, we are not doing much discount in companies previous year and invoice it is very marginal one or 2%, but if you see the major difference comes in cotton that only crop where we are given more discounts.
- Yogesh Tiwari:** And lastly like going forward discount in quarter will also be not will be there right?



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- Mithun Chand:** It will be normalized. I do not see this sort of pressure coming up.
- Yogesh Tiwari:** Okay, thank you. Thank you sir. That is all from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Vijay Athlye, an individual investor, please go ahead.
- Vijay Athlye:** Thank you for taking my question. My question is because of late monsoon is there any slippage of sales for Q1 to Q2.
- Mithun Chand:** Not much. The cropping pattern was slightly different. We do not see much of a sales coming in second quarter it should be in line with last year, but only in terms of the rice we were not able to do that, but the entire cotton areas came up, maize also came in the first quarter. So, we do not see much of a carry forward sales in the second quarter. In terms to say to come back to answer straight to your question, most of the crops were accounted in the first quarter itself.
- Vijay Athlye:** Thank you and sir the second question is what is the update on Rs. 15 crores which was due to receive from MP government.
- Mithun Chand:** Sorry.
- Vijay Athlye:** What is the update on 15 crores, which was due to return from the MP government in Q4FY22.
- Mithun Chand:** Yeah, we had the 13 crores of bad debts accounted in terms of Madhya Pradesh government that we were not able to realize it, but we have realized, like, from the other companies, for example, last year, we had 49 crores as on Q1FY22 as a bad debts accounted for the last six to seven years, which are accounted as the accumulated bad debts that came down to 43 for this Q1FY23 . So, that 13 crores is still pending we have filed a case I think. I will just need to find update of that, but that will come that that definitely that will be received by the company as this is it the couple of government bodies are involved we already following it up. That should not be a problem, it is a matter of time.
- Vijay Athlye:** Thank you so much. That's it from my side.
- Moderator:** Thank you. The next question is from the line of Anurag Jain, an individual investor. Please go ahead.
- Anurag Jain:** Good afternoon. Sir my question is in FY 2021, and FY2022 around 50% of the CAPEX was on purchase of land. My question is like what is the purpose for which this land was purchased? Was it for farming of seeds or for R&D farms or for setting up processing plants?



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**Mithun Chand:** It is a mix of that, if you see in the financial year 2021, we have bought a property for the office purpose, that might be a part of it and the CAPEX is also for the new office building. The other majority of something related to the agriculture land, which is mentioned in the annual reports of what we have spent for. If it is agriculture land that we have dedicated for the R&D and some facilities also we have created for the crossing facilities that is also there a part of it, but if you see the overall CAPEX year-on-year, it is not more than 35 to 40 crores a combination of all and this year it is much lower than that.

**Anurag Jain:** Okay, and my next question is around one year back, the company was expecting that mustard seed as a segment should grow significantly as there is a lot of stress on oil seed business from government side and prices of oil seeds are increasing and there is a shortage of oil seeds as well. So, how do you see the mustard seed business for the company in next three to five years,

**Mithun Chand:** We are very much confident on the mustard seeds as the oil seed prices are going up and as the government is still pushing for the production of the oil seeds, mustard is a crop where it has a potential to grow much higher than the present standing crop, so we have intensified our breeding in mustard as you know that it takes a lot of time to get new hybrids, but we have introduced couple of smaller hybrids, but to gain a good amount of sales in that it may take another three to four years, but we are in line with our strategy. We are working on mustard crops.

**Anurag Jain:** Focus and if you permit me to ask one more question like is weed seeds are the focus area for Kaveri. Seeds for wheat.

**Mithun Chand:** Wheat is also a part of our production plan but it's not as mustard. In wheat, we do not have hybrid so that is the reason the focus is much when compared to the new crops like mustard, it is lower priority one, but we are working in wheat.

**Anurag Jain:** Okay sir, thank you. If you permit me one more question, if you can show sir there is assets held for sale. Some assets, which you thought would be useful, but later on company decided that they will be able to sell those. So, if you could throw some light on what is the status regarding the disposal of these assets held for sale?

**Mithun Chand:** Sorry, sorry.

**Anurag Jain:** Sir there are there are in the balance sheet, there is item assets held for sale, some assets, which were earlier purchased, thinking that they will be useful for the company, but later on, there was a change in thought so it was decided that you would sell these assets. So, what is the status of these assets held for sale?

**Mithun Chand:** Nothing, there is only I think there is only one asset which is like that. We have bought an office property earlier before the present one. So, that we have kept it on sale whenever we



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realized that that will come back to that. The commercial space, which we thought will set up an office there, but it was becoming a crowded one. So, we are taking our own building that we kept it for sale. Once we realize it, it will come into the.

**Anurag Jain:** This building is being used or this is not being used as.

**Mithun Chand:** No we have never put that building. We have kept it on lock.

**Anurag Jain:** Okay, thank sir.

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

**Shrikhant Verma:** Hello, good evening, sir. Sir the cash on books is around 570 crores. This year are you planning to go for a buyback? Are you are you seeing get some organic growth in the company, some requisition?

**Mithun Chand:** I may not comment on this because that is not an individual decision. That is a board decision, but as a board we always see that if we are not able to use cash properly, then that needs to be rewarded to the shareholder distributor share holder. That policy I think will still continue further. As of now we are not taking any decision on that whenever we take that is later on.

**Shrikhant Verma:** Due to the sowing delay and due to the direct monsoon, some other Kharif crops got delayed. So, can we expect any sales in Q2 additional sale or something

**Mithun Chand:** Not much. I have just answered to the earlier caller as well that we do not see much of a slipover sales in the second quarter. Most of that are already accounted.

**Shrikhant Verma:** Okay sir. Thank you.

**Moderator:** Thank you. The next question is from the line of Manoj Shah from Laxgov Investments, please go ahead.

**Manoj Shah:** Good afternoon. My question is with respect to this hybrid cotton seed, as we are saying that the smaller players are selling the older seeds. Can you just comment on what is the life for hybrid cotton seeds and how does it impact over a period like if a seed is three or four year old, how does it impact the productivity and also, if you can explain what do you mean by here the illegal BT cotton seed.

**Mithun Chand:** Basically, the productivity of the hybrid does not fall with the age, but the other circumstances other conditions determine the productivity of that as such new insects or some sort of soil borne diseases or some climate change will impact the productivity of the hybrids, usually with



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the accident what we see in cotton after the peak, the hybrid will get replaced in three or four years. This time, it took a longer time. That is one of the reasons where we are not seeing much of the new hybrids in the industry, which came in the last three or four years, but if you see in the last one or two years, there is a lot of trialing happening and in the next two to three years, you will see a majority of the hybrids will be replaced with the new hybrids and in terms of the illegal BT which I said earlier, I do not think it will move further from here, it should be a sideways of that from the current conditions based on the commodity prices and the availability of the organized seeds.

**Manoj Shah:** Sir if I have understood correctly, once the hybrid cotton once it is produced, if you kept it in a preserved manner in the sense that moisture, air and other stuff, then the productivity does not get impacted by its aging. Only when the insects or anything like that draws then only it will impact the productivity. Is that correct.

**Mithun Chand:** Yeah, there are two things one is the how do you protect the seed and the other part is that after sowing the seed how the productivity differs, I was talking about the seed after sowing after sown, so that will not have any impact, but storage of the seed is a different subject, based on the hybrid conditions and the storage conditions, it will stay for 2 to 5 years, that depends on the hybrid to hybrid.

**Manoj Shah:** So, you are saying once the hybrid seeds are produced, you have a shelf life 4-5 years after that it get replaced and the new seeds are produced. So, you are saying that currently the earlier seeds which are produced 2 years back, they are still in stock, so these smaller players will use seeds as discount.

**Mithun Chand:** No that is the wrong thing, what I was saying is that new variants should come in hybrid. For each hybrid is a different variant I mean a new combination should come. After introduction it takes three to four years for a hybrid to get to peak and after that it will stay on peak for three to four years based on the hybrid quality. But we are not able to produce new variants in the last three four years not as I mean to say not as a Kaveri, but as an industry. So, that's where products went in the market this year, that we do not seek in going forward as most of the companies are testing new variants, which have much more productivity than the existing ones with a better I mean to say advantages.

**Manoj Shah:** So, if I say like, okay some seeds, few years back some seeds are produced which are better resistant to the low rainfall or some what they call some tests on the cotton crop. So, likely based on the agriculture, climate conditions, try to produce new and newer seeds, so try to incorporate new things so that they are able to give you much better output to the farmer. Is that what you are talking about here and you are saying new seeds that took place every three to five years with the new quality.



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- Mithun Chand:** Yes, what I mean to say new seeds are new variants with new parents, new combinations.
- Manoj Shah:** Okay. Thank you.
- Moderator:** Thank you. The next question is from the line of an Anil Jain with Makarand S Invest. Please go ahead.
- Anil Jain:** Hi sir. Good evening. Congratulations on a great set of numbers. Sir I just wanted to ask you, I think somebody asked you before also about the reduced OPM, other gross profit margin, right. Just wanted to know, we were doing well in June 2019 and in June 2020, we had an OPM of about 36 to 37%. You said that there are increased discounts that you had to provide this time. So, and then you said that it is a temporary phenomenon, so I did not quite follow how exactly is that, like, what does that mean? Could you explain that further?
- Mithun Chand:** If you see when competitors margin of 37% to 33 we are down by 3 to 4% . That 3 to 4% majorly has been impacted in the cotton realizations, if you see the revenue growth is up by 7 to 8% and the volume growth is up by 7 to 8%, but the revenue growth is only 1-2%. So, because of the competition, because of the more availability of the seed across in the players and there was much of a price competition, then now, we are giving more discounts to the dealers. That is the reason, the lower in realization so that this is one of the year in the last seven, eight years or 10 years. So, what I said is once in 10 to 15 years, we continue for one or two years and then it will get normalized. So, that is the reason I say that is very temporary phenomenon.
- Anil Jain:** Okay but ideally what do you think caused that you also I think justified why it was caused by some prices going up? I was not able to really hear you clearly at that point. So, if you could repeat that part, I will be obliged.
- Mithun Chand:** Whatever is that if you see the commodity prices compared to this year, the prices are up. So, that impacts our production cost as well even our production cost goes up as the commodity price goes up. But usually, we pass it in toward the farmer. But this year because of the competition we were not able to pass it on, even though the government has increased the MRP but the realizations are much lower than last year.
- Anil Jain:** Okay, fair enough and do you think this is a two-year phenomenon it should play out and then?
- Mithun Chand:** It is too early to comment about the next year also. But what we think is that technically the discount should not be higher than the this year compared to the next year, it should come back. But. I said one or two years.
- Anil Jain:** Okay. Thank you sir.



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**Moderator:**

Thank you all for joining the call. For any further information, please be in touch with Rama Naidu from Intellect PR. On behalf of Kaveri Seeds Company Limited that concludes this conference. Thank you for joining us and you may now disconnect your line.