



“Kaveri Seed Company Limited
Q2 & H1 FY2023 Earnings Conference Call”

November 15, 2022



**MANAGEMENT: MR. MITHUN CHAND – EXECUTIVE DIRECTOR –
KAVERI SEED**



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Moderator: Ladies and gentlemen, good day and welcome to Kaveri Seed Company's Q2 & H1 FY2023 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 at the end of today's presentation. Please note that this conference is being recorded. Joining us today on this call we have with Mr. Mithun Chand – Executive Director. Before we begin I would like to mention that some of the statements made in today's call maybe forward looking in nature and may involve risk and uncertainties. For a list of such considerations please refer to the earnings presentation. I would now like to hand the conference to Mr. Mithun Chand. Thank and over to you Sir!

Mithun Chand: Thank you. Good evening and welcome everyone for our Q2 H1 FY2023 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 would touch up on the operational financial performance of the company and then open the floor for question and answer session. Non cotton segment had grown by 12.6% during the first half of the year due to higher revenue growth from rice, maize, and vegetables. EBITDA and PAT margins during the half year grew by 159 and 174 basis points. Growth in non cotton segment were achieved in spite of more than 20 lakh hectares less size average. Bajra and maize sowing has picked up with a good growth of 10.4% and 2.5% respectively. In this quarter we have announced the buyback of up to Rs. 125.6 Crores at a maximum purchase price of



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Rs.700 per share. This is the fifth consecutive buyback by the company in the last five years.

Some developments from the industry aspects government panel has approved an application seeking environmental clearance of indigenously developed GN mustard seed. Experts are paving the way for commercial use of the country's first GN food crop. This is the first GN crop to get an approval in the last two decades. This is a very positive move by the Government of India.

Coming back to the financial highlights of the first half financial year 2023 revenue from operations were at 816.44 Crores as compared to 758.36 Crores in first half financial year 2022 registered a growth of 7.66%. EBITDA was at 259.2 Crores as compared to 229.19 Crores in first half of 2022 increase by 13.3%. Net profit was 243.39 Crores as compared to 212 Crores in first half registered a growth of 14.32%. The cash on book stands at 497 Crores.

Segment wise highlights. Cotton volumes increased by 6.1% and revenue by 1.5%, hybrid rice volume grew by 5.25%. Hybrid rice industry is growing at close to 3 to 4% in the last two years. We are the second largest player in the rice market. The company has a market share of more than 12.5% as of now. Selection rice volumes grew by 17% and revenue by 6.85% close to 7%. The contribution of new products is up from 19.75% to 25.16% of volumes.

Maize volumes increased by 18.68% and revenue by 12.46%. Contribution of new products was up from 23.6% to 34.5% of



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volume. Vegetable sales volumes increased by 20.54% while revenue increased by 18.7%. Major segments are hot pepper, tomato, gourds and okara. We had growth in Op's like coriander and cowpea. We as a company has been heavily investing in R&D and have been ideal in bringing multiple new variants across the seed segments and going to be the biggest beneficiary. I would now open the floor for question and answer session.

Moderator: Thank you Sir. We will now begin the question and answer session. We have the first question from the line of Gunit Singh from CCIPL. Please go ahead.

Gunit Singh: Thank you for giving me this opportunity. My question is regarding the tax that has been imposed on our company. I am of the understanding that the company owns land. It is leased out by the company and all activities are performed by the company then no tax is levied but government has imposed a tax. How are we proceeding with that, are we contesting that and do we have any updates from the sale.

Mithun Chand: As we have mentioned to the exchanges earlier for the financial year 2019-2020 we were claiming an agriculture income that was denied by the tax authority. We have gone for the appeal and filed an appeal against that.

Gunit Singh: So that is just for financial year 2019-2020.

Mithun Chand: The demand what we got is for 2019-2020.financial year. That is the only demand what we got and that is what we went for the appeal.



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Gunit Singh: So going forward do we have any clarity on whether this tax will be levied on us.

Mithun Chand: Not really that is again subject to the interpretation of the authorities. As of now we are claiming the same benefit. If anything is there we will definitely inform.

Gunit Singh: Can you just elaborate the reason why government would have imposed this tax on us, do we not own the land.

Mithun Chand: I may not go back to the government side but our side what we feel is an agriculture activity and we are claiming this income for last many years and it was allowed. This is the only financial year where we were not allowed for that we went for the appeal. Once we get the decision we will update it.

Gunit Singh: Any potential reason you think just for that financial year it was levied and not for any other.

Mithun Chand: We do not have much of idea. It is a routine process and we will update as I said earlier. Any news on this we will update.

Gunit Singh: Alright. My last question regarding the same is that the only financial year when it was levied or previously we had any other occurrence as well.

Mithun Chand: We had only one demand for the financial year 2019-2020. When we got that order that was clearly mentioned to the exchanges and it was there in website and for that financial year we have gone for the appeal.



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- Gunit Singh:** Alright thank you for taking my questions.
- Moderator:** Thank you. We have the next question from the line of Anurag Jain an individual investor. Please go ahead.
- Anurag Jain:** Good afternoon. Sir my first question is the performance has been good enough evenly in the quarter however the overall performance is clouded by 50% decline in other income. Other income has dropped from Rs.15 Crores to Rs. 7.5 Crores so what is the reason for this drop in other income.
- Mithun Chand:** Basically for us other income is income generated by investing activities in financial instruments which I mentioned in the annual report, basically SEBI registered funds, long term and short term. Based on the maturity of the funds whenever we get income we are booking it.
- Anurag Jain:** I have two more questions related to the balance sheet. The freight payable other than MSG have declined from Rs. 372 Crores, Rs. 372 Crores was the number in September 2020. I am comparing September balance sheet only. Two years ago September 2020, the freight payable was Rs. 372 Crores. They came down to Rs. 245 Crores in September 2021 and now currently they are at Rs. 180 Crores in September 2022 so there appears to be actually a decline in freight payable so my question was is there a change in policy or terms with the producer farmers and because of which the trade payables are declining.



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Mithun Chand: That all depends on what sort of production we are doing, which crop we are doing. In the previous year we were producing lot of cotton and we were having a lot of inventory of cotton that is how the area got in declined in cotton. The other thing is that as rightly said even now we are seeing advances I mean to say as a lease agreement and everything we are paying advance and the production cost is incurred much earlier now.

Anurag Jain: So that is why the payables are decreasing.

Mithun Chand: That all depends on the dynamics of the crops and which crops and where we are operating in that. End of the day, the crops matter.

Anurag Jain: Another question on the balance sheet was that see from last year September 2021 the receivables were Rs. 281 Crores they have increased currently to Rs. 366 Crores so my question is that overall how are the industry conditions on recoverability of receivables from the trade and how comfortable is Kaveri on recovering the receivables because these have increased significantly in last one or two years and any update on the outstanding receivables from state government which was earlier provisioned for and we were expecting recovery.

Mithun Chand: If you see the receivables and if you see the bad debt percentage as a company which we disclose every time it is less than 0.5% and till date we had only Rs. 40 odd Crores of bad debt for the last 8 to 10 years including the government body and majority of the bad debts are from the government body. Otherwise the trade receivables we are not much worried about it but this time some area the season got



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delayed, the receivables took some time but we are not bothered about the receivables most of the receivables will be closed. Once you see the balance sheet of the year end most of that will be received and regarding the government bodies some we have received, majority is pending but slowly started coming now.

Anurag Jain: Thank you Sir. This is all from my side.

Moderator: Thank you. We have the next question from the line of Aagam Shah from RSPN Ventures. Please go ahead.

Aagam Shah: Hi congratulations for a good set of numbers. I have just two questions on buyback front do we have any sense about promoter's participation in the buyback do you have any idea.

Mithun Chand: We have clearly mentioned in the scheme itself when we gave to public when we had a meeting we have clearly indicated to the investors and to the exchange. It is a pure market mechanism buyback where promoters are not eligible to participate. We are not participating in it.

Aagam Shah: Okay that's it and in terms of time line when should this thing operate.

Mithun Chand: Basically it is all very much said in the act itself we need to go as per that but for your information we have already started buying and we are intimating it to the exchanges every day. I don't know the present status but it is all there in the website and the exchanges. What is the quantity we bought and as mandatory statutory we need to disclose it every day and that we are doing it.



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- Aagam Shah:** Okay alright thanks a lot. All the best.
- Moderator:** Thank you. We have the next question from the line of Sanjeev Zarbade from Dreamladder Investment Advisors. Please go ahead.
- Sanjeev Zarbade:** Yes Sir couple of questions from my side. Wanted to understand when will the volume growth start contributing towards the revenue growth if you could give some idea.
- Mithun Chand:** If you compare this year to the previous year there was much of a volume growth higher than the revenue growth in most of the crop but clearly as I said we have much higher volume growth than the revenue growth, the reason for that is, this time we have given discounts because of the competition in cotton and other crops we have realized less that is one of the reasons the revenues are lower otherwise if you see the volumes have grown more than 12% to 15% in most of the crops.
- Sanjeev Zarbade:** Second question is are you looking for any acquisitions in seed and other related activity.
- Mithun Chand:** As of now, no. We were looking for a vegetable company but right now we have a good R&D and I do not think we are looking for any vegetable company. At the same time we are not saying that we are not inclined to this. If we see any right opportunity we might go for it, but proactively we are not working for it, but if we get any opportunity we will not leave it.
- Sanjeev Zarbade:** Sir last question from my side when would we see again good numbers like in the recent times in cotton crop are you expecting any



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similar disruptive technology entering the country both in cotton and non cotton business.

Mithun Chand: See when you talk about the revenues we are going on year on year basis and if you see the composition right now when earlier it was like 75 to 80% was contributed by cotton. Right now it came down close to 35 to 37% which you were seeing for the last 3 years the contribution of cotton will come down by less than 40%. That is already happening and all other segments we are growing but if you see the recent developments what we had like government allowing GM mustard trials for indigenous and then the meeting which is coming up for BG to RFF for the new technology which is moving faster so that is a very positive thing. If the new technology is coming definitely we may see good volumes picking up in the cotton side.

Sanjeev Zarbade: Alright Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Yogesh Tiwari from Arihant Capital. Please go ahead.

Yogesh Tiwari: Good evening Sir and thanks for the opportunity. My first question is how is the competition from illegal BT cotton in the current quarter compared to previous other quarters.

Mithun Chand: See anyhow cotton come in the first quarter. We do not see any such sale in the second quarter it is only the left out sale what we get in the second quarter apart from states like Tamil Nadu which is very small state but if you see illegal cotton is playing a big role as of now



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but most of the governments are against for the illegal cotton so it has remained stagnant or slightly lower as a percentage compared to the previous year but in the second quarter we do not see any change in that. As I said it is a very lean quarter going forward now the government is approving for the new technology so the illegal cotton should come down as a percentage going forward as the government approves the technology.

Yogesh Tiwari: So we can expect in the coming quarters the market share which we were losing or the organized sector was losing that will not happen basically.

Mithun Chand: Three of the four quarters we do not do any sale in cotton as such but in the coming year definitely the organized sector will have a larger percentage in the market and we are one of the biggest players in cotton and definitely we think that we can go back to our market shares once the new technology comes back.

Yogesh Tiwari: Sure Sir and on this GM mustard. If you could quantify what would be like the industry size and what will be the revenue potential or the industry potential for this GM mustard.

Mithun Chand: As of now we do not have any GM mustard but mustard is grown close to 7 million hectares across India and now it is slowly moving onto hybridisation in mustards. It is very marginal right now but it is moving in that direction and as we are importing oil even government is pushing for the mustard seeds going forward we see a very good sowing for the mustard seeds. The other point what we need to see here is that mustard is a crop no doubt it is important



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crop but it is the first food crop which got GM license and GM trialing. Going forward it is like all food crops will come into it that will open up a new market and our new variants and new crops will definitely add to it and that is a huge potential for companies like us which have a good market share in most of the crops where we operate and continuously we are venturing into other crops which will further help us to gain market share in most of the crops.

Yogesh Tiwari: Thank you Sir and last one question so if I look across all the crops like cotton hybrid, rice, maize, vegetable, our volume has increased more than the revenue so is there any pricing pressure or because of competition or something like that where the volume growth.

Mithun Chand: Just now I said the volumes are up this year as compared to previous year but this time because of competition and because of some other issues we were not able to realize for example cotton the realization was much lower than the last year so that got impacted to some extent and that is a very temporary process we do not see that will continue for long. This is one of the years where there are some cases we need to reduce our realization based on the competition.

Yogesh Tiwari: Sure Sir and what portion of your product portfolio would be attributed to Rabi crops.

Mithun Chand: We take third and fourth quarter there is Rabi that should be around 20 to 25% of the sales.

Yogesh Tiwari: And how has the season started like.



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Mithun Chand: It is too early but see a very good rabi coming up because we see good prices for the maize and we are pretty confident that we can do good sale in maize and even in sunflower for the second half as compared to the previous year. Anyhow even though it is a lean quarter but as compared to quarter on quarter basis I think we will be doing well in the crops where we operate and if you see in this year it was very tough year in terms of overall cropping conditions. Most of the crops were down. The other crops came up. Even in that tough condition we were able to increase our sales and our market shares as well. If you see we have gone to 12.5% market share which itself shows the strength of our hybrids and even in maize we have grown by more than 18% which are for the volumes whereas industry is less than 5%. Even in sunflower we have grown double more than 2.5% in sunflower and even in bajra we grew. So if you see crop by crop basis in most of the crops we have gained market share and that itself shows the strength of products in the tough condition and going forward it will really help us to gain further market shares and realize more value for us.

Yogesh Tiwari: Yes but overall you are seeing a strong like for the industry. Q3 has been good as you told that maize prices has increased because of this factors it has supported industry in Q3 right.

Mithun Chand: Q3 is only one month now. The season looks good, the products are just moving in. When the portfolio what we have compared to our portfolio to the previous year we see good Rabi coming up. Rabi is basically a maize product and some rice we see both crops doing well and sunflower is also there. The three crops we are doing well.



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The other interesting thing is even vegetables, we have seen a good year this year. Good crop in the third and fourth quarter. Chilly is also moving now so even that it will contribute so all contribution as a contribution of all crops is growth for our company in Q3 and initial growth.

Yogesh Tiwari: Sure thank you Sir. That is helpful.

Moderator: We have the next question from the line of Gagan Thareja from ASK Investment Managers. Please go ahead.

Gagan Thareja: Good afternoon. Sir the first question is on the impending GAC approval of HTBT cotton. If this goes through which is very likely to happen will the price be controlled price that we already see in BG1 or this will not figure under price control and secondly there will be a royalty payment involved for this one which is there now. Any thoughts on this.

Mithun Chand: What we see when coming to GMC the technology is provided by Bayer so definitely there will be a royalty on that as industry with the government as an association with the technology provider we are working out in such a way all the parties should be benefited. In terms of the price control it is so early to say whether it will be controlled or not but we are in discussion with all the parties involved and we will have an amicable solution for it which will not hurt any interest and it will help the Indian farmer so the direction will be a win win situation for all the players.



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Gagan Thareja: The acreage under cotton may or may not increase but there will be a shift away from BG1 to BG2 which might give some scope for market share gains.

Mithun Chand: Sorry to interrupt your question but it is not only about the acreage shift. If you see traditionally Indian acreage in and around 12 million hectares less or minus two for the last 20 years but there are very new technologies which are coming in. Right now once the technology comes in most of the hybrid may be mechanically harvested or high density plantation even though the acreage might be the same but the volume may double or triple.

Gagan Thareja: So you are saying that with the same acreage there is same packets that you can sell can also double or triple.

Mithun Chand: Because the feed rate for acre is growing. If you see in the traditional way when it was one packet 15 years back it has come up to 2.2. With the new technologies it may go up to six or eight packets. There are some countries where they go for 13 packets per acre as a volume as quantity that all depends on the technology and what sort of hybrid you are sowing whether it is mechanically harvested so that all comes on later on but it is a good sign for the industry. If a new technology comes in the illegal BT will come down and we will have a scope to innovate good products and help the Indian farmers and improve the productivity with various techniques in that so definitely the market and there is a scope to increase market share both will be positive.



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Gagan Thareja: From the perspective of profitability do you see this as being at the same levels that you have on your cotton portfolio or do you see foresee some material change to your profitability.

Mithun Chand: Right now cotton is the least in our portfolio but definitely going down the line cotton will definitely improve. Cotton as a crop is a very lucrative crop because of some various issues we could not do much work in the last 7 to 8 years but before that cotton was a very lucrative crop and we are very pretty hopeful that it will come back to its own level and seed is an important part in the entire agriculture. It is one which determines the entire productivity so seed is the premium product and always there is a premium on the seed which we sell so we are not worried about that and it can be easily realized from the market.

Gagan Thareja: Also the government put some restrictions on the usage of glyphosate in that only a certified or registered pesticide trained person.

Mithun Chand: That is again coming back to the illegal BT to control illegal BT because illegal BT is nothing but resistant to glyphosate so to control illegal BT they have done alternate ways but once the technology is approved I am pretty sure that illegal BT will not be used.

Gagan Thareja: Do you see this sort of delaying the approval or launch process for HTBT or BG2 because the government would want sometime before they can control one season before they can control the illegal HTBT cotton and then bring the legal version.



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Mithun Chand: That is not the one because the protein extraction in most of the illegal BT is not there. When you have a process the excretion of the protein is different and the quality of the seed and the performance of the seed entirely differs. I do not think there might be much delay again subject to government policy but if you see in the last 1 to 2 years the things how it is moving and the proactiveness of the government and the technology provider we are pretty confident that the technology will come pretty fast. I think the way how they have given GM mustard and the next meeting they have called for BT cotton so definitely there will be some sort of breakthrough and as an industry we are pretty hopeful and working towards getting the new technologies which will indirectly control the illegal BT also which is the need of the hour and even government wants that.

Gagan Thareja: But there are two aspects one is that you will need glyphosate for HTBT cotton also. If the current policy of usage around glyphosate continues there might be some hesitation in taking up HTBT cotton.

Mithun Chand: That is a different thing. That is again a government policy. If they approve the BT cotton legally then they will give for the glyphosate also.

Gagan Thareja: And secondly you will also have to procure the trait and develop your hybrid or have you already been in the process of doing that.

Mithun Chand: We have already given that. We have given many years back for the converted lines are already with them. Once the government approves it will not take more than a season to get the converted line.



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Gagan Thareja: And secondly Sir on the tax aspect even the start of this calendar year around February the Telangana authority for advance ruling came out with two ruling stating that seeds cannot be considered as agricultural produce I mean hybrid seeds and therefore should attract GST at the 18% rate. Has that had any bearing on the current tax demand raised on new because these rulings might form a precursor for reference this issue recurring in the future also.

Mithun Chand: There are two different aspects one what we are talking about what we have got demand for the income tax not the GST related one. The advance ruling act is related to the GST. Even that clearly mentions that not the seeds process but anything which is processed and sold in the secondary market should be taxed, not the primary product. We have got the GST exempted which is there in the ruling itself that is the secondary source.

Gagan Thareja: So you do not see any risk on that.

Mithun Chand: No. Because from the GST counsel itself the seed is exempted from that.

Gagan Thareja: Because you have your ears close to the ground. If you could give us some idea how the market is currently sort of formed between you and your competition in your various significant crops because hybrid rice you are saying market is growing at 3 to 4%. If you could give some idea of each of these crops, the outlook for the coming Rabi and followed up by the next karif it would help us understand.



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Mithun Chand: Sure if you see this year as I explained in one of the questions even though this year was very tough year in terms of the hybrid market there are many alternate crops. The crops got shifted even in that scenario we were able to grow in the crop where we operate for example in maize we have grown by more than 18% in volumes. In terms of the revenue it might be 13 to 14% but in terms of volumes we have grown by more than 18%. In hybrid rice we have grown more than 17%. In cotton also we have grown so that itself shows the strength of our hybrid as compared to the competition and we are pretty confident going forward that we have very good hybrids and a good set of pipeline hybrids which will help us to increase market share and as an advantage for Kaveri is that we are there in the most of the crops across all portfolio and we are the only company in India to have such a large portfolio and presence across all states. Any cropping pattern shift or change based on the seasonality may not impact much because we have the other alternative crops to cater to the market and again we have added mustard to our portfolio. We have pulses and soya bean even though it is not a big market as of now. We are working on all those segments. We have intensified our breeding programme in R&D in vegetable so that is also helping us to grow so in all directions we are not leaving any area including exports we are targeting so that gives us confidence that we will grow much better than the market and we will increase our market share going forward based on our portfolio. We are pretty confident about that.

Gagan Thareja: Thanks Sir. I will get back in the queue.



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Moderator: We have the next question from the line of Udhaya Prakash from Value Research India. Please go ahead.

Udhaya Prakash: Hi Sir thanks for the opportunity. I have two questions both related to the rice segment. The growth in hybrid rice has been low compared to selection price and when we go to revenue on a half year basis revenue in hybrid rice has actually fallen by 2.3% can you please tell me what is the reason behind this and my second question is can you please elaborate the difference between the hybrid rice and selection price because selection rice has seen a much better growth in the first half of this year so what influences this for someone to buy.

Mithun Chand: So basically the difference between hybrid and selection rice is that hybrid has different variants, different breeding activity where the seeds of that may not be used again. The cultivation and the process is different. I mean it is not much different it is same but the technology and the adaption as a process to derive to that is different. It is basically like the hybrid and selection is nothing but the varieties in hybrids whereas selection rice are research varieties which are developed by our own company and not by any other government body. It is developed by our own and we sell it in the market.

Udhaya Prakash: Yes Sir the reason for flat growth in hybrid rice as compared to selection rise I am saying.

Mithun Chand: As I said this year it was a very tough market in hybrid rice as compared to the previous year, the acreages were under pressure. As



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I said that in the call itself that 20 lakh acres were down when compared to the previous year. Even in that scenario we were able to grow more in rice. Selection rice because there were heavy rains and the process got delayed that is the reason they have moved to selection rice. That is where we have seen a growth of more than 17% so both are rice segments based on the seasonality and the adaptation they move in those direction.

Udhaya Prakash: Is there a margin difference between hybrid rice and selection rice or the margins are all same.

Mithun Chand: Basically the margins more or less in all the crops remain same apart one or two segments but most of the crops we operate at the same margin more or less between the 25 to 35% margin, all non cotton crops will be in the same line.

Udhaya Prakash: Okay Sir that is it from my side.

Moderator: Thank you. We have the next question from the line of Vinit from IIFL Securities. Please go ahead.

Vinit: Hello Sir thanks for taking my question. My first one was on the GM mustard trial approval that we got from the government. What are the crops that are also being considered if you could shed some light on the crops that the government is currently considering for approval will be very useful and post approval how long will it take to roll out these hybrid seeds in the market?

Mithun Chand: this is the first trial that they have approved in the last 20 years. There are many crops which are lined up. maize is there, rice is



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there, and brinjal is there. There are many other crops. Soya is also there, but right now government has given approval for trialing of mustard. If that is approved it may take couple of years to get because we need to get the technology in and then we need to transfer the technology to others hybrid so it may take two or three years. Even though it is taking time it may three to four years down the line but it is a very good sign to get new technologies and the process will be very much simplified and very much under the guidelines so that is a very positive sign.

Vinit: Okay understood and Sir I noticed that in the tax expenses about 1 Crore of tax pertaining to earlier years as an effective tax rates also the quarter of 50 odd percent effective of tax rate. I mean what is the reason for such a high tax expense in this quarter.

Mithun Chand: See that 1 Crore is a very small quantum and again whatever tax we paid is on the other income what we generate. It is not on the business so based on the fund redemption, based on the income what we got the tax.

Vinit: Okay got it and just one clarification was on the EPS. I think the statement says an EPS of 0.28 is this correct because the share count seems unusually high using this. The EPS that you reported on consol basis is 0.28 rupees per share.

Mithun Chand: Just need to check it because we have got close to 12 Crores of equity with Rs.2 face value close to 5.8 Crores shares then divide by profit. I just need to check it. I do not have the figures right now. Usually that should be right but I will again I will correct it.



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- Vinit:** Okay thank you so much.
- Moderator:** Thank you. We have the next question from the line of Nitin Awasthi from Incred Equities. Please go ahead.
- Nitin Awasthi:** Hello Sir. Sir I would like to ask once the HTBT cotton comes in and like you said you are working on parallel lines but you will also have a stock of older piece which will carry the stock for a very long time what happens to that stock, you write off that entire stock for seeds or what happens to that stock that is what I want to know.
- Mithun Chand:** Basically when you get HTBT sale it is not possible to convert the entire volume into HTBT in the next one or two years. It will take some time to convert because we need to have the parental seeds to multiply and then sell it so in the due course we will not produce the old seed we will produce the converted seed and will balance in that way. Usually the running hybrid seed does not have the risk of feeding it out.
- Nitin Awasthi:** Okay understood Sir. Basically till the time that seed is actually coming to commercial production you will end these seeds and you would not produce any of the prior seeds.
- Mithun Chand:** It will move on a combination of all. First year it might be 2%, 98% then it slightly increase the percentage in that flow that is how it happens.
- Nitin Awasthi:** Okay understood. Sir secondly company much smaller than yours in the seed segment are moving into different countries in the south east Asian market and obviously with government support because



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of which those things would not have happened so diplomacy is very highly required for seed companies to go into different countries but we do not see that happening with your company is there a reason specific for that or are you also looking to move into south east countries but have not been able to break ground as of now so will you highlight that Sir or give your thoughts on this.

Mithun Chand: We are mentioning in most of the calls saying that we are working with seven different countries even though if you see our exports, we are doing export business of more than Rs. 20 Crore for the last five to six years but that is majority from Bangladesh, Pakistan and Nepal and these are the countries. We have given seed in south eastern countries and some African countries especially in Indonesia, Thailand, and Philippines and in African countries. We have been in the trialing stage once we get the approval we market it. Right now we do not have research centers there. We do not want to set up a research center strategically as of now because some of the hybrids are suitable for their condition so we are trialing that. The initial trials gave a very positive response and we are trialing for the last 2 to 3 years and we have exported some this year also.

Nitin Awasthi: The R&D centers in countries in Africa because Africa as a continent is emerging as the fastest basket of countries which is approving GM seeds so why the African institution are not setting up R&D centers in one of the countries and exploiting the opportunity there.

Mithun Chand: So one thing we have good market in India first thing. We are focusing more on Indian market. At the same time we are not



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neglecting the other countries but we need to have a proper strategy to go there because you know much about the African countries, no Indian company is successful there in Africa. There are many countries who are doing research for last 15 years but no one has done enough leaving apart company or two. No one has been successful in doing business in Africa. For example we are not allowed to sell cotton there because the technology is BG technology. In terms of the maize they go with white maize. We have the yellow maize here so there are some constraint but at the same time there are some countries where some products which are similar to us can be marketed there, so first we are exploring that countries and as a strategy when we are going to South East Asian countries maize and rice are the big crop. In these two crops we have very good portfolio and very good R&D and we have some products which are suitable for those areas, climatic conditions, so we want to explore that. We want to have some market, some distribution network and then set up an office. For example in Bangladesh we are doing for last three to four years. We were doing from a distribution channel right now we want to set up a company in Bangladesh once we have some decent size. We do not want to bleed and we do not want to expand unnecessarily where we cannot manage and you know Africa very well, the conditions are different, the policies are different and every morning is a different morning there.

Nitin Awasthi: Understood Sir and thank you so much.

Moderator: Thank you that was the last question. I would now like to hand the conference over to Mr. Mithun Chand for his closing comments.



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Mithun Chand: Thanks all for participating in the con call. For any further clarification you can reach our investor desk at any time to the number mentioned in the presentation. Thanks all.

Moderator: Thank you for joint call. For any further info please be in touch with Rama Naidu from Intellect PR. On behalf of Kaveri Seed Company Limited that concludes the conference. Thank you for joining us and you many now disconnect your lines.