



“Kaveri Seed Company Limited  
Q3 & 9M FY2023 Earnings Conference Call”

January 25, 2023



**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 Q3 & 9M FY2023 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 call will be recorded. Joining us today on this call is 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 now hand the conference over to Mr. Mithun Chand. Thank and over to you Sir!

**Mithun Chand:** Thank you. Good afternoon and welcome everyone to our Q3 and nine months FY2023 earnings conference call. We hope you have had a chance to review the presentation of our results, which is also available on the website. I would touch up on the operational financial performance of the company and then open the floor for the question and answer session.

We are delighted to declare good results of both Q3 and nine months FY2023. We have witnessed higher area coverage during the quarter in two of the large segments rice and wheat, which has resulted in good revenue growth. Besides this, there has been good revenue growth registered in quarter in hybrid rice, maize, vegetables and all other seed segments. Another major achievement during the quarter and nine months result is that we were able to convert volume growth into revenue growth across the segments.



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As part of rewarding our shareholders during the quarter, the company had successfully completed the buyback of 23,99,831 shares of Rs.2 each for an aggregate amount of Rs.125.37 Crores. There was a margin expansion in nine months FY2023. EBITDA margin was up by 378 basis points and PAT margin was up by 409 points. This is very encouraging sign and we would be able to maintain the margins going forward. Overall response for increasing hybridization and increasing share of new products in each segment has good results in the current year and in the coming years.

I would now like to touch upon the operational highlights for the quarter. Quarter revenues increased by 6.2% in the non cotton segment, hybrid rice and maize revenues increased by 117.1% to 46.5% respectively. Hybrid paddy KPH 468 scaled up across the markets which have resulted in volume and market share gain. Paddy higher area is reported from the states of Tamil Nadu, Andhra Pradesh, Assam, Odisha, Karnataka and Telangana. The contribution of new products was up from 19.73% to 34.29% in the overall volumes of maize. Wheat has reported 286.50 lakh ha. as compared to 278.25 lakh ha., which has resulted in 8.2 lakh acres more. Exports continue to be strong and presently exporting to Sri Lanka, Bangladesh and Vietnam.

Q3 FY2023 financial highlights, revenue from operation was at Rs.123.49 Crore as compared to Rs.102.08 Crore in Q3 FY2022 registered a growth of 20.97%. EBITDA was at Rs.43.95 Crore as compared to Rs.16.32 Crores in Q3 FY2022, an increase by 160.31%. Net profit was at Rs.37.54 Crore as compared to Rs.9.08



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Crores in Q3 FY2022, registered a growth of 313.24%. EBITDA margin was at 35.59% up by 1960 basis points. PAT margin was at 30.40% up by 2150 basis points.

9MFY2023 highlights. Revenue was at Rs.939.93 Crore as against Rs.860.44 Crore in 9MFY22, registered a growth of 9.24%. The EBITDA was at Rs.303.67 Crore up by 23.69% on a year-on-year basis. PAT stood at Rs.280.93 Crore up by 26.55%. EBITDA margin was at 32.31% up by 378 basis points. PAT margin was at 29.89% up by 409 points. Cash on books stands at Rs.403 Crore. The Government's commitment to support Indian Research and encouraging approvals given by them for the indigenously developed new hybrid and advanced seed varieties are going to make big difference for us in the coming years. This would go a long way in overall growth of the company and we are expecting revolution in technology changes in seeds as a segment from both domestic and international business. We would like to reiterate again that we are a strong R&D company and have been agile in bringing multiple new seed variants across the seed segments. I would now open the floor for the question and answer session. Thank you.

**Moderator:** Thank you very much. We will now begin the question and answer session. We have the first question from the line of Nitin Awasthi from Incred Equities. Please go ahead.

**Nitin Awasthi:** Sir just wanted to understand where are we on the regulatory front when it comes to GM master and HTBT cotton if you could give us a purview of where we stand, where the government stands and how probable is the commercialization of the same?



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**Mithun Chand:** If you see in the last two quarters there is a movement in the action from the Government. The GAC is also moving in terms of introducing the new technologies. Most probably they are likely to introduce BG-2 RRF in the next one or two seasons. There are continuous meetings which are happening with both the technology providers, Government and from the private players so there is a combination of this thing what we see is that a lot of positivity is in the last two quarters. As a company we are expecting that the technology will come very soon.

**Nitin Awasthi:** Got it Sir. Sir also on HTBT cotton so you are saying there is no commercialized green light being given by the approval agency as of now because if I am not wrong GEAC did approve it?

**Mithun Chand:** No. This is still under trial. Most of the trials are completed. The license needs to be given by the government for the commercialization. Then everything will fall under it. We are waiting for the approval of the GA which is the authority for giving the approvals for the technology provider, not for the individual products.

**Nitin Awasthi:** Okay understood. That is all the questions from my side.

**Moderator:** Thank you. The next question is from the line of Sanjeev B Zarbade from Dreamladder Investment Advisors. Please go ahead.

**Sanjeev B Zarbade:** So I wanted to know about the cash on the balance sheet now that we have completed the buyback?



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**Mithun Chand:** As on 31, December 2022 the cash is Rs.403 Crores. That is after the completion of the buyback. We have completed the buyback in the last week of December.

**Sanjeev B Zarbade:** Okay. Can you throw some light on the competitive landscape and are we in a position to pass on price increases in the future?

**Mithun Chand:** It is a highly competitive market. The competition is between both the domestic and the international players. We have all the international players present in India. It is not now. It is from the last three to four decades they are present. As a company we are competing with both domestic and international players in the respective crops and we are able to gain market share and we are able to realize much better than most of the companies and as you all know that seed is the most important part of the entire agriculture and it costs less than 5% of the total input cost in most of the crops. Spending the money for the seed is not an issue with the farmer because that derives the entire yield so usually the farmer does not compromise on seed and usually we are able to pass it on to farmer and I think it will continue going forward. We do not see any challenges in it.

**Sanjeev B Zarbade:** Right Sir and whether this kind of margins that we have achieved in current fiscal are they achievable in the next couple of years or can we even may be better from current level?

**Mithun Chand:** If you see the previous last 8 to 10 years if you compare our margins always they were sustainable. In between there were one or two years where the margins were under pressure because as we were



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dealing with cotton and cotton was regulated. We had some issues in a couple of years but if you see always our margins remain in between the 28% to 30% and we are pretty confident that those margins will remain and it is maintainable. As we go up and scale up our sales even there is a chance that there will be slight improvement in the margins going forward, but for sure this can be maintainable.

**Sanjeev B Zarbade:** Right Sir and Sir if I look at your long term financial performance we did a peak revenue of Rs.1100 Crore in March 2015 and we are still below that level and during this period even the stock prices kind of moved in a very range bound fashion? It is almost at the level what it was? How do we see as an investor the next three to four years whether there a possibility of a quantum jump? Are there any triggers? What kind of comfort you can share with us?

**Mithun Chand:** There are a couple of things to see in it. One when we have done in 2014 – 2015 the peak revenue the cotton contributed close to 75%, cotton as such as a crop. Non cotton contributed only 25%. From there, there were so many issues regarding cotton and the acreages were at the peak at that particular year. The cotton prices were down by more than 20% from then in fact more than 25%. The cotton was at 14.5 million that year and now it is around 10.5 million to 11 million hectares. There was a price cut in cotton seed and we lost market share in some crops so it is all resulted in the decline in the revenue, but the other part of thing what we need to see from 25% we have gone to 70% plus close to 70% in non cotton crops so wherein we have improved realizations where we have seen continuous growth and these are the crops which are growing in



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India. For example if you take rice, rice has grown in 24 million hectares out of which only five or six million hectares is hybridized. These are the crops which are in growing field and we are gaining market shares in those crops and we have very good pipeline in the crops. Not only cotton, maize is also growing. We are growing in maize in all segments. Earlier we were present only in Kharif segment. Now we have moved to Rabi segment also and if you see both maize and rice are comparable with cotton sales now. The other segments even vegetables we are growing sunflower, vegetable simultaneously we are growing in those crops but they may not be as big as these crops because most of the Indian hybrid market shares are for these three crops so what I mean to say is that we are big in those three crops and we are also big in the other small segment crops. Going forward what we see we are in a much healthier position than what we were earlier. As a company we were more dependent on cotton in 2014 and 2015. Now we are not dependent on any crop but we are there and big in most of the crops in India so that is a very encouraging sign and moreover we have set our R&D in the last six, seven and eight years. We were having R&D but we are spending more in R&D and we have many good pipeline hybrids which give us confidence to grow going forward for the next five to 10 years. The other part we need to see in between, even the technologies were not introduced in the last five to six years. It is all moving in the last six to eight months so it is a very good sign for the entire industry.

**Sanjeev B Zarbade:** Right Sir and Sir just last question from my side. Has this change in product mix anything to do with the steady increase in working



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capital days over the last seven to eight years? Like I can see it is almost 172 days in March 2022 and compared to around 30 or 29 days some seven to eight years back? Does it have anything to do with?

**Mithun Chand:** Nothing. This will remain based on the seasonality and based on those things we need to give, but I do not see much of a change in that and if you see whatever cash you are generated in the last six to seven years even though the stock price was not performing and we were not able to grow, but we have done five buybacks in the last five years wherein we have closed to 20% of our equity and if you see the quantum which was distributed the shares in terms of the buyback or in terms of the dividend this is close to Rs.1100 Crore to Rs.1200 Crore.

**Sanjeev B Zarbade:** That is very good. Great. Thank you Sir for answering my questions. That is it from my side. Thank you.

**Moderator:** Thank you. The next question is from the line of Keshav Garg from Counter-Cyclical PMS. Please go ahead.

**Keshav Garg:** Sir firstly on behalf of all the shareholders I want to thank the management and promoters for regular buybacks and in the past two years the company is doing open market share buyback wherein the promoters are not participating so it is even more creditable and shows the confidence of the management in the company and the prospects, Sir thank you very much once again. Sir just wanted to understand Sir taking from the previous caller Sir we appreciate the reasons why after 2015 the company went in a sort of a lean PAT



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due to the regulatory changes which were detrimental to our interest, but the question is that trailing 12 months we are doing approximately Rs.240 Crores to Rs.250 Crores EBITDA whereas in FY2015 we did around Rs.307 Crores EBITDA, so in your judgment do you think that in FY2024 if everything goes as per the plan, the company can exceed this all time high EBITDA of around Rs.300 Crores that we did in FY2015?

**Mithun Chand:** What is the percentage I just need to see but the calculation what we have as of now from where we stand we will grow in between 15% to 20% year-on-year basis that is my calculation is based on the demand but we are pretty confident that it will continue for long.

**Keshav Garg:** Sir in the past not in the Q3 but in the first two quarters of this financial year Sir we had seen price erosion in our seeds so is that behind us and the kind of revenue growth we are seeing if you could just bifurcate broadly in two realization growth and volume growth?

**Mithun Chand:** Compared to previous year there are a couple of things which need to be noticed. In some crops we have not realized well compared to previous year. In some crops we have realized well. For example in hybrid rice we are not able to realize well as compared to previous year even though there is a lot of volume growth. In maize we were able to realize more. In cotton, there was a price increase but because of the competition this was the lowest realization in the last six to seven years for us in the quarter. In spite of all those things as we have done good sales in other crops which are high profitable we were able to increase the margins. Going forward with the mix what we have and with the crops where we have lost, where we are not



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able to realize well we have pretty much scope of increasing realization in those crops. That give us more confidence that we will able to maintain and in fact it may exceed from the present levels.

**Keshav Garg:** Great Sir. Sir lastly I wanted to understand about the vegetable segment? Sir since there are so many vegetables I do not know how big is our portfolio? How much of the vegetable crops we are covering, but the nine month revenues of Rs.35 Crores which are roughly like 3.5% of our total revenue so in your judgment is there scope that in due course the revenue from vegetables can become 10% or even beyond of the total revenue of the company?

**Mithun Chand:** Vegetables is one of the most important portfolios what we have. Our vegetables are growing at more than 20% at the industry level 15% to 20% at industry level and we have pretty much scope in that. Even in vegetables, majority of the market shares are by hot pepper, tomato and okra. These are the three crops which contribute more than 50% of the total revenue so we are basically concentrating on three crops traditionally and apart from that we are doing some cauliflower and vegetables where we are importing. As such vegetable we are very bullish of vegetable. Vegetable will definitely contribute to more than 10% of the revenue in the next three to four years.

**Keshav Garg:** Great Sir and also apart from these segments that we have given of hybrid rice, selection rice, maize, vegetables is there any other blockbuster products in the pipeline which you think can dramatically step up our revenue trajectory going forward?



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**Mithun Chand:** If you see the crops what we have mentioned cotton, rice, maize and vegetables this contributes majority of the hybrid seed market. This contributes close to more than 90% of the market share. We have very good products out of these four. Apart from this we are in the sunflower, mustard, bajara, and wheat which falls in that 10% so in all the segments we are there, but we only added this four crops because these have the majority market shares.

**Keshav Garg:** Okay Sir thank you very much and best of luck to you.

**Moderator:** Thank you. The next question is from the line of Samridh from Value Research. Please go ahead.

**Samridh:** Sir I wanted to know what is the volume growth in the non cotton segment if you could share the numbers for hybrid rice, selection rice, maze and vegetables?

**Mithun Chand:** Those are all there on the website in the presentation. As of now I do not have the volumes but in all crops we have grown. The volume growth is one of the aspects but the other thing is also we need to also see the revenue growth. There are some crops usually in Rabi wherein the revenue is pretty high than we have in Kharif.

**Samridh:** Okay Sir.

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

**Anurag Jain:** Thank you. Good afternoon Sir. My first question relates to the vegetable business? In FY2022 annual report the company had given



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a guidance of revenue of Rs.65 Crores for the vegetable seed business? Now in the first nine months the company has achieved around Rs.35 Crores of revenue in the vegetable seed business so would you standby with the old guidance or what is the updated guidance and how do you see the rest of the year for the different seed segments even though I know it is basically a lean business in terms of lean quarter?

**Mithun Chand:** Basically we are pretty confident about the vegetable business in the Q4. Vegetables usually come in the Q4 so we are pretty confident but in that sort of a figure we need to see to what extent we can achieve it. As of now we are on our targets.

**Anurag Jain:** Okay thank you Sir and Sir my second question relates to the other income in the quarter? Given that the company has financial assets of around Rs.400 Crores and probably at the start of the quarter it would have been Rs.600 Crores prior to the buyback so on an average of Rs.500 Crores of assets there other income during the quarter of almost Rs.31 Crores odd Rs.30 Crores plus so is there some one time entry there or what would explain the jump in the other income of Rs.32 Crores in the quarter?

**Mithun Chand:** If you see the quarter it looks higher but if you see year-on-year basis last time it was like Rs.38 Crore to Rs.40 Crore for the entire year. This time it is like for the nine months it is like Rs.47 Crore or Rs.48 Crores. It should be Rs.5 Crore to Rs.10 Crore more than Q4. That all depends on what we redeem. Basically you all know it all depends on when we have invested and what time it is getting expired. That is how the redemption comes into the quarters and



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apart from that we had a buyback in the Q3 so we need to redeem money for that. That also resulted in more of other income, but on year-on-year basis Rs.40 Crores to Rs.50 Crores what we were getting that is what we get at the end of the day. Rs.5 Crores or Rs.10 Crores plus or minus based on the date of investment and the maturity date.

**Anurag Jain:** Okay and one last question Sir. During the quarter was there any recovery? There was some outstanding receivables with the government corporations which were earlier provisioned for so was there any recovery during this quarter?

**Mithun Chand:** A few amounts have been recovered not significant, but it is in the process of recovering but to answer to your question we have not provided for any other extra provision for this quarter.

**Anurag Jain:** Okay Sir so in this quarter neither there is any significant recovery nor is there any provision?

**Mithun Chand:** Yes but we are pretty confident that will come.

**Anurag Jain:** Okay Sir thank you. This all from my side.

**Moderator:** Thank you. The next question is from the line of Nitin Awasthi from Incred Equities. Please go ahead.

**Nitin Awasthi:** Sir going through the government documentation one comes to know that there has been approvals given for genetically modified potato and also banana? Is there any seriousness from the



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government to push these crops or are these on an experimental levels?

**Mithun Chand:** See that all depends. All the crops will follow. If they give clearance for any vegetable for example mustard is an edible crop. We are talking about GM mustard as well. If it is given to mustard every crop will follow it. It is not only banana, tomato is there, brinjal is there. All crops will follow.

**Nitin Awasthi:** Brinjal is on a back burner for some time now?

**Mithun Chand:** No it is not that there was a debate says that cotton is a non edible crop. That is the reason they have not encouraged any permission for the edible crops. Now they are talking about GM mustard which is an edible crop. If they give any permission or license or any sort of a trialing then all the crops will be eligible for that.

**Nitin Awasthi:** Understood thank you.

**Moderator:** Thank you. We have the next question as a follow question from the line of Keshav Garg from Counter-Cyclical PMS. Please go ahead.

**Keshav Garg:** Sir just wanted to understand whether any new developments have been there on the tax demand notice that we had received last quarter of Rs.71 Crores pertaining to FY2021, any new developments or what are we hearing from our legal team regarding that?

**Mithun Chand:** The last quarter itself we had mentioned that we have went for an appeal for it. You know the court how much time it will take.



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Whenever the result is there we will definitely inform the exchanges the moment we get it.

**Keshav Garg:** Okay Sir and also are there any plans to get into fruit seeds?

**Mithun Chand:** As of now no. We do not have any focus on that, but we are into vegetables if you call it fruit or not, I do not know because we are into watermelon.

**Keshav Garg:** Okay Sir and any plans to get into hydroponic?

**Mithun Chand:** As of now no.

**Keshav Garg:** Okay Sir and also in our last year's annual report we had borrowed some small quantum of money from the Department of Biotechnology at 2% per annum so is there any possibility that we can really scale up this funding from this source since it is a negligible cost of 2%?

**Mithun Chand:** We do not require funds as such because we have enough cash on the books and we are a zero debt company. That is the only thing where we have taken because of government funding and government research program is there. For that we were having it and we are availing it. It is Rs.2 Crores loan. It is a very insignificant loan.

**Keshav Garg:** Sir that is what I am saying like we do not need funds, we already have excess funds but even if we can borrow at 2% and invest in liquid mutual funds also still we can earn?



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- Mithun Chand:** That activity we do not do it. That is for that particular fund.
- Keshav Garg:** Great Sir and also Sir the CSR funds that we are using is there any possibility of using those funds to increase our visibility and goodwill in our major markets?
- Mithun Chand:** Basically CSR funds would not be spent for the company's branding or something that is one of the norms for the CSR, but we have invested in most of the education and the rural skill employment and skill development and rural infrastructure basically we are spending for education.
- Keshav Garg:** And Sir what kind of approximate capex program do we have over the next let us say one year?
- Mithun Chand:** Year-on-year it will be like Rs.30 odd Crores, Rs.25 Crores to Rs.30 Crores as the majority of the investment work is already done in the new office. It is only for the research work we need to spend but year-on-year Rs.25 Crores to Rs.30 Crores that should be sufficient. That is what we are doing for the last six to seven to eight years.
- Keshav Garg:** Sir this is R&D capex you are talking about?
- Mithun Chand:** Across the company. Now capex majority goes for either processing or R&D. We are building up our R&D biotechnology plant. For that we require capex now. That will be within the Rs.25 Crores to Rs.30 Crores on a year-on-year basis.
- Keshav Garg:** Also Sir our subsidiaries we have not really been able to scale up the revenue from our subsidiaries which were around Rs.55 Crores in



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FY2022 after like nine years so going forward Sir firstly what is the major business of the subsidiaries and also what is the possibility of really scaling it up going forward?

**Mithun Chand:** If you see the subsidiaries year-on-year they are growing. Most of the subsidiaries were dealing with cotton earlier and we have seen a dent in the cotton, but even in that scenario subsidiaries have done well in terms of the cotton sale and most of the research is done in the main company wherein we have some competitive products where Kaveri cannot promote and they are unique. That products is marketed in subsidiary companies so they are also gaining and we are pretty sure that that will also grow and if you see on year-on-year basis we are growing. Compared to previous year also this year they have grown. All the subsidiaries have grown as compared to the last two years.

**Keshav Garg:** Great Sir. Thank you very much and best of luck.

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

**Anurag Jain:** Thank you Sir. This is more of a request rather than a question. In the last five to seven years the company's product range has expanded significantly, but this is not reflected on the company's website so if you could consider updating the company's website and to bring the product portfolio shown on the website in line what you have in the market already?



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**Mithun Chand:** They are already there but sure any how I will recheck it and if something is missing definitely we will update. Thanks for your suggestion.

**Anurag Jain:** Thank you Sir.

**Moderator:** Thank you. The next question is from the line of Vipul Mody an Individual Investor. Please go ahead.

**Vipul Mody:** Good afternoon Sir. Congratulations for the good set of numbers. Sir my question is relating to gene editing technology which has been allowed in India and there is no oppose regarding to that? How much is the company prepared to deal with it? Is it the company looking for collaboration with gene editing technology patent holder companies or is it like the company has applied for gene editing or something? Will it post check to the hybrids which the company is already into?

**Mithun Chand:** We are open for tie up with companies. Now most of the new technology the gene editing technology is coming now, CRISPR is the one which deals with it. We are already exploring some options in that but it will take some time but we are open for it.

**Vipul Mody:** Does it pose a threat to hybrid portfolio, existing portfolio? Does it compete with our portfolio?

**Mithun Chand:** When the new technology comes in definitely most of the companies upgrade to those technologies. Usually the companies adopt those technologies whichever is better because that is what we do in hybridization. Even if you take any hybrids if there is any good



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germplasm or any new issue turns up definitely we will be for that one so most of the companies will upgrade to those technologies and I do not think that it is a treat for the existing hybrids. The only thing that might be replaced with the new technologies. For example if you take cotton when the genetically modified crops came in most of the hybrid moved to genetically modified.

**Vipul Mody:** Okay that is very well understood and one more thing I want to ask? What is the special efforts given for exports to increase our sales?

**Mithun Chand:** Again on exports we are pretty much bullish on exports. We are exporting to neighboring countries, South East and even the African countries so we see a lot of opportunities there and some of the products are very much accepted there and going forward definitely you see a good revenue for the exports also, but it will take time as we need to test our products in other countries. The registration itself takes three to five years in most of the companies. We are already in the process of registering it in some companies and we are marketing through some other companies there but definitely you will see increase in the revenue.

**Vipul Mody:** Thank you.

**Moderator:** Thank you. Ladies and gentlemen that would be our last question for today. Thank you for joining the conference call. For any further queries or meetings please be in touch with Rama Naidu from Intellect PR on his mobile number 9920209623. Thank you for joining us and you many now disconnect your lines.