



Kaveri Seed Company Limited  
Q4 and FY'23 Earnings Conference Call  
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**MANAGEMENT: MR. MITHUN CHAND –EXECUTIVE DIRECTOR –  
KAVERI SEED COMPANY LIMITED  
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COMPANY LIMITED**



**Moderator:**

Ladies and gentlemen, good day, and welcome to the Kaveri Seed Company's Q4 FY '23 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 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 may be forward-looking in nature and may involve risks and uncertainties. First list of such considerations, please refer to the earnings presentation.

I would now like to hand the call over to Mr. Mithun Chand. Over to you, sir.

**Mithun Chand:**

Thank you. Good evening, and welcome everyone to our quarter 4 and financial year '23 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 and functional performance of the company and then open the floor for the question-and-answer session.

We are delighted to declare a good set of numbers for the year on account of realizing good growth in both volumes and revenues. Both Cotton and Non-cotton segments have equally done well during the year and we expect the same trend to continue in the next couple of years. Maize, Rice, Wheat and Vegetable segments continue to do well. And Bajra's growth is very encouraging due to increased focus of Government of India by way of promoting millets as part of the millets mission.

New hybrids launched in Cotton and Maize have contributed for increase in the volumes and realizations, which has in turn resulted in higher EBITDA margins during the year, and the same trend would continue in the next 2 to 3 years. With an increasing number of new variants, we are confident of increasing our market share in cotton. The good growth rate in Maize, both in terms of volumes and revenues were seen during the current year and the trend should continue in the coming years on account of increasing demand for both animal feed and biofuel blending demand in the country.

NITI Aayog has estimated the requirement of ethanol for financial year '26 at 13.5 billion litres, out of which 50% of the ethanol would be made from

maize and rice, and rest from the sugarcane. The biofuel demand would increase the demand for industrial use of maize, which can be achieved only by increasing acreages in the new and high-yielding hybrids introduced by companies like us.

**Financial highlights.** Revenues from operations were at INR1000.56 crore as compared to INR915 crore in financial year '22, registered a growth of 9.35%. EBITDA was at INR296.94 crore as compared to INR238.41 crore in financial year '22, grown by 24.55%. Net profit was at INR267.04 crore as compared to INR208.9 crore in financial year '22, grown by 27.83%. EBITDA margin was at 29.68% for the financial year '23 versus 26.09% for the financial year '22, increased by 359 basis points. PAT margins were up to 26.69% for financial year '23 versus 22.83% for the financial year '22, grown by 386 basis points. Cash on books stands at INR538 crore as on 31st March.

**Operational highlights.** Cotton volumes increased by 7% and revenues increased by 2.87%. Hybrid Rice volumes increased by 12.33%. Selection Rice volumes grew by 6.18%. Maize volumes increased by 25.61% and revenues by 22.37%. The contribution of new products was up from 17.39% to 33.87% of volume in Maize. Bajra volumes increased by 25.16% and revenues increased by 30.66%. The contribution of new products was up from 41.42% to 54.11% of the volumes in Bajra. Vegetable seed sales volumes are stable and revenue increased by 3.76%. Vegetable crops like Bitter Gourd, Tomato, Okra and Waterman have done well during the year.

Bihar, Chhattisgarh, West Bengal, Odisha, Rajasthan, and Telangana are the key States for vegetable seed business. Exports continue to be strong. Export volume has increased by 35.09% and revenues up by 42.44% as compared to the last year. Presently, exporting to Vietnam, Bangladesh, Nepal and few countries of Middle East and Africa. Over the past couple of months, Government panel has given go ahead to field trials for several GM crops like potato, banana cotton besides giving approvals for mustard in the past. I will now open the floor for the question-and-answer session.

**Moderator:**

The first question is from the line of Keshav Garg from Counter-Cyclical PMS.



**Keshav Garg:** Sir, thank you for good results. And, sir, thank you for repeated share buyback. Sir, I just wanted to get your view on this financial year, FY '24. So what is the expectation in terms of top line and EBITDA? In your judgment, you think we can exceed our all-time high revenue of around INR1100 crore top line and INR310 crore EBITDA that we did in FY '15?

**Mithun Chand:** We see a good year ahead. Most of the crops would remain same, side-lines of a percentage of 5% plus or minus. We see a good growth rate for Vegetables in the coming year. Apart from that, Maize looks very interesting. Maize has good scope to grow by seeing the yields and the price. Cotton should be a, sidewise. We will be growing in Bajra. Rice and vegetable and hybrid rice, the market may grow by 2% to 3%, we'll be growing around 8% to 10% in both these segments. Overall, as a company, we see a projection of 10% to 12% as a top line growth and 15% to 20% as bottom line growth.

**Keshav Garg:** Okay, sir. That is very encouraging. And sir, except for Bajra, in this year also, we can see that our volumes in Cotton, Maize, etc., the volumes have grown faster than the revenue growth. So that means that there is some price derealisation. I mean the realizations went down. So is this trend expected to continue? Or is this trend expected to reverse?

**Mithun Chand:** For example, in cotton, the last year was a very tough year. The realization was much lower last year than compared to the previous year. I mean the current year was lower when compared to the previous year. Whereas Maize, the new hybrids, the revenues were up and the margins were also up. But whereas the older hybrid, the revenues and the margins are lower.

If you see in terms of volume and revenue growth, in Maize, it's more or less same, whereas, in Cotton, the volumes have grown by 7%, but the revenues are only grown by 2%. So we have seen a slight decline in realizations in the cotton. Whereas in the other crops like rice, it's all sideways. From this year, we think the realizations will move up as compared to the previous year.

**Keshav Garg:** Sure, sir. And sir, lastly, on the margin side, our margins have increased year-on-year as you had told us previously. So for this present year, do you think that we can go back to 29% margin that we did in FY '21?

**Mithun Chand:** As also, the EBITDA margins are like 26%.



- Keshav Garg:** Sir, on a consolidated basis, it's around 24% if we take out the other income
- Mithun Chand:** I'm talking on a stand-alone basis. Stand-alone basis, it's like 24%. Definitely, we can see an improvement of at least 1 to 2% points up when compared to the previous year.
- Moderator:** We have the next question from the line of Nitin Awasthi from InCred Equity.
- Nitin Awasthi:** I had a few questions. Starting with, has the cotton seeds price been revised by the government for the current year?
- Mithun Chand:** Yes. It's up by 5 to 7%. Absolute prices are INR853.
- Nitin Awasthi:** INR853, and this is for which variety?
- Mithun Chand:** All varieties, all BG-II.
- Nitin Awasthi:** BG-II, okay, and previous year it was?
- Mithun Chand:** It was close to INR800.
- Nitin Awasthi:** It was close to INR800. But we realized much lower because we had to pass on substantial amount of the increase of last year to the sales channel, if I'm not wrong?
- Mithun Chand:** Yes. We have not realized, even though the prices were up this year as compared to the previous year. We couldn't realize it from the market as there was stiff competition and we've given many discounts to the dealer. We have realized, that's what I mentioned earlier also, we have realized a lower rate in cotton.
- Nitin Awasthi:** Okay. How do you think that will change this year? Do you see again the same amount of pressure and us passing on all the incremental increase in price to the trade channel? Or do you think we'll be able to retain most of it like we used to do in the earlier years?
- Mithun Chand:** We don't see that sort of pressure this year. This year, the stock is also limited as compared to the previous year. And the availability of the seed is also limited. We see definitely increase in the realizations as compared to last

year. But to what extent? That we can only say as the market evolve. But definitely, the realizations will be higher than last year.

**Nitin Awasthi:** Got it. Sir, the next question I had was, we have set up shop in Bangladesh, right, through a subsidiary?

**Mithun Chand:** We were doing business in Bangladesh earlier also. But right now, we are setting up a subsidiary company in Bangladesh for the further sales, because we are doing business in Bangladesh for the last 5 to 6 years. The results are encouraging. So we want to set up our own subsidiary there.

**Nitin Awasthi:** Understood. But Bangladesh is regulatory more advanced when it comes to GM crops than India. Is that correct? And if that is correct, do we have technologies to cater in Bangladesh because there will be players in Bangladesh who are ahead of us.

**Mithun Chand:** So basically, what we are doing is that we are having our research centres in India itself. We are only selling the seeds which are suitable and developed in India and then selling it in Bangladesh because we even sell it in the other parts of the World. We are trying to place those headwinds in those markets and take the market share.

Now when we start research in Bangladesh down the line, then we will be very much competent with the players. Most of the players there are MNC players. The same MNCs are present in India as well, we are having the same competition here and that we are also giving tough fight for them. So that shouldn't be a great difficulty for us to operate on our own in Bangladesh.

**Nitin Awasthi:** Understood, sir. Sir, the Government is strengthening its own company, National Seed Corporation. Are we seeing increasing competition from that company?

**Mithun Chand:** Basically, National Seed Corporation deals with varieties, whereas we deal with hybrids. The majority of our sales are in hybrids. So we don't see any competition from them.

**Nitin Awasthi:** Okay. Understood. And sir, some aggregators, some agri aggregators who were very strong and who have recently raised money and got very strong in their own businesses, namely DeHaat or be it Agro Star, they have started the seed business where they're selling seeds under their own brand. And they

have their own seeds business rather than aggregating it from everybody else. Before they used to aggregate it from seed companies like yourself. Are we seeing them as a threat in the future?

**Mithun Chand:** We don't see that because in the seed business, capital is not important. I mean to say, it's important, but it's just not like if we spend \$1 billion, it's a long waiting time, it's requires some larger time for the R&D and it's a high entry-barrier business. And the competition, whatever seed companies that are there in India, we are there since last 40 to 50 years. It is not easy to develop actually in the next 4 to 5 years. And anyone is like setting up a new company, then definitely, we'll be competing with them. But it's too early for them to take the market share in the next 5 to 6 years.

**Nitin Awasthi:** Understood. The last question from my side. We have HTBT, mustard and cotton, which has been approved by the Government. We also have HT maize, which was approved by the Government. We have potato, banana also approved by the Government. And field trials for some of these crops have started. Are we selected for the field trials of any of these crops?

**Mithun Chand:** Basically, we are not working in any of the GM crops. We are there in cotton. We have a tie-up with Monsanto, the current player. Once the government approves and someone is there to share the technology, we'll definitely take the license and do it.

**Nitin Awasthi:** But what is the apprehension from the company side. The company has capital, the company has scope, and the company has the marketing legs for the product. So why the company not backward integrating and putting up is own research. So this is simple question that I have. What is the apprehension from the company side?

**Mithun Chand:** We have our own research. We need to develop our best. But whereas GM technologies, it's not a very old technology. It's already there in certain places. It's just like reinventing the wheel. And it's a high capital-intensive business. And when we are able to get the same technology as a license by paying some sort of a license fee, we don't want to invest in that. For example, it could be Monsanto. We have a license and we can always source that license. And Monsanto, there is not the only company who has the GM technology. There are N number of players. It's not a monopoly.



- Nitin Awasthi:** Got it, sir. And what about gene editing, which has been passed in China recently for soya, if I'm not wrong? That is a newer technology that is also available with everybody.
- Mithun Chand:** CRISPR technology is, again, that's a different one. And that does not come under GM crop. We are working on that. We are working with a company, but it will take some time.
- Nitin Awasthi:** Okay. So that you are working by ourselves, for ourselves?
- Mithun Chand:** So there are other companies are there. We are adding some sort of a tie-up, but it will take a longer time to get some seal off on that. But in traditional breeding and that marker-assisted breeding activity, we are having our own research, and we are able to get good hybrids in that. But that's a technology which we are already concentrating on.
- Moderator:** The next question is from the line of Udhayaprakash from Value Research India Private Limited.
- Udhayaprakash:** Yes, sir. I have 2 questions from my side. The first is, as we see, we have seen good growth in our exports, both volume-wise and revenue-wise. So can you please tell us what is the percentage of export revenue of the total revenue for FY '23 and FY'22? The number available?
- Mithun Chand:** Yes. Last year, it was like 1.4%. This time, it is slightly closer to 2% of the revenue.
- Udhayaprakash:** Are we seeing any growth going forward in the export market as we are pushing for it? Or is this completely without any push and growing organically?
- Mithun Chand:** If you see in the presentation also, we said that we are exploring other parts of the World. And definitely, export is a very big market. Seed business, even it takes longer time to develop a hybrid, and even after developing hybrid to farmer to believe and to trust the hybrid, it takes a longer time. So that's the time we are taking it. We are in initial stages of, like, export market, and we are very bullish on exports. And that will be a decent contributor going forward to the revenues.





**Udhayaprakash:** So next year, we can expect the same 2% to 2.5% of the revenues from exports?

**Mithun Chand:** So we're fairly expanding it. We can't say the absolute number because even other segment, even as a main company, whereas growing at 10% to 12%. So that, we should grow at 20%, 25% there. But we have plans to grow. The base is very small. But we have plans to grow and definitely that's a good area where we are focusing on.

**Udhayaprakash:** Okay, sir. My next question is on Selection Rice side. It has just put a flattish growth this year. So is this due to the lower realizations? Or are there any other headwinds during the year?

**Mithun Chand:** This year was a tough year in terms of the realizations in some crops. This is a major product that we deal with, maize and rice. It was a tough year. Even though there was a slight increase in the volume, the realizations were at lower side. But this year, I think the realizations will be on higher side as compared to the previous year. But even though, this year, overall as a company, the EBITDA margins have increased because we have a good year in Bajra and Sunflower.

Even though Sunflower contributes lower, but the margins were really good in Sunflower. So the advantage of our company is that we have a huge product portfolio. When we have tough conditions in 1 crop, another crop will compensate. So in that way, we are able to maintain and increase our realizations. It's the nature of the business, one year it will be tough, one year it will be okay. So in that way, there isn't much to bother about it.

**Udhayaprakash:** Okay, sir. My final question is on contribution of Cotton and Non-cotton growths. In the last 5 to 6 years, the revenues of Non-cotton as a percentage of total revenue has improved dramatically. It was 42% in FY '19, and right now in this year, 62%. Are we still trying to expand this portion? Or we trying to find a balance at this moment?

**Mithun Chand:** If you recollect, we were saying that from '14, '15, which was a peak year for us in terms of the revenues, the cotton contributed to more than 75% of our revenue. From that day, we were saying that the dependence of the cotton will go down and non-cotton growth will increase. And going further, non-cotton will contribute more to our growth. That's what we see now. Even now

from going forward, both Cotton and Non-cotton has equal potential to grow in the company. So I think that the 30-70 combination will be there for a couple of years going forward.

**Moderator:** The next question is from the line of Tarang from Old Bridge Capital.

**Tarang Agrawal:** A couple of questions on my side. One, in your opening address, you mentioned that the rice market should probably grow about 2% to 3%. But you believe you can significantly outgrow the market. Just wanted to get a sense, I mean, what's driving this confidence given the difficult year we've had and realizations have also taken a significant hit?

**Mithun Chand:** If you see the current year also, the markets were flat or it were down 1% to 2% as compared to the previous year. Even in the tough conditions, we were able to grow in both in terms of the revenues and in terms of the volumes, both in Hybrid Rice and Selection Rice. This year, we see a slight increase in the market, but our hybrids are doing well. The new varieties, which we have introduced both in Selection Rice and In Hybrid Rice are doing well. And we are confident that we can definitely grow in these 2 segments this year as well. As I said in the earlier remarks itself, last year was a bit tough year in terms of the realizations, but we don't see that sort of difficulty this year as of now.

**Tarang Agrawal:** Okay. So is this confidence incumbent on your placements currently?

**Mithun Chand:** Yes, the placements are in line with our anticipation. We are in line with that.

**Tarang Agrawal:** Okay. The second question is on cotton acreages, right? I mean overall, the outlook for cotton is rather sober. So just wanted to get your sense, what's your view on acreages? It's a big crop contributing in Q1 for you. So how placements there, especially considering globally the prices have come off significantly from where we were at the same time last year?

**Mithun Chand:** What we see, the cotton area acreages should remain flat or like, I don't see much of an increase in the acreages this year as compared to the previous year because the other crops are doing well. So as a company, we are only anticipating 5% to 10% book in cotton with this. But even the other crops, like in Maharashtra, soya is also, the prices are not that great. That's the only point where we need to look at it, the timely rainfall, then that will move for

the groundnut. Otherwise, if the rainfall is delayed, then that might move to the cotton. Otherwise, in a normal year, the acreages should remain flat for cotton.

**Tarang Agrawal:** Okay. The third question is what was the customer advances figure as on 31st March '23?

**Mithun Chand:** It's like INR160 crore or INR170 crore, just I'll reconfirm about the figure. But right now, we are discouraging advances in the last 3 to 4 years. As we are realizing low, we are not taking advances from the market. We're not that aggressively pushing it.

**Tarang Agrawal:** Okay. The third question is on your bajra and sunflower business. I mean, how big are each of these products? And what was this number for FY '22?

**Mithun Chand:** Sunflower, we've done close to INR30 crore in FY23, as compared to INR12 crore in FY22. And the realizations were very good in Sunflower. Bajra also, we were like INR 19 crore in FY23 , as compared to Rs. 14 crore in FY22. So overall, we see Bajra will grow going forward. Bajra has the potential to be INR 100 crore next year, whereas Sunflower should remain same or sideways from this year, what we have sold. We don't see any much growth in Sunflower this year.

**Tarang Agrawal:** Got it. And the last is the INR133 crore of CWIP on the balance sheet. I mean, is this the R&D building or is there something more to it? And how should we see it for getting commissioned, the INR133 crore of CWIP on balance sheet?

**Mithun Chand:** There are couple of things which are there in that. One is the office building, new office building, which we took, that's one; the property, which is out there. One plant, which is also there. We have set up a processing plant and cold storage and warehouses, that's 1 part. And the other one is the R&D building. It's a combination of all.

**Tarang Agrawal:** Okay. And all of that should be capitalized in FY '24, correct?

**Mithun Chand:** Yes, some are like the plant and office should be operational. But R&D may take some time.



- Tarang Agrawal:** Okay. Just last question. How do you see the placements this year versus the year before?
- Mithun Chand:** The placements are good as compared to previous year. We're in line with the placements, with their estimates, and we don't see any difficulties as of now in terms of the placements. But nothing has gone into, see, ground as of now, but placements are there, but it all depends on the rainfall. That's a regular activity for us and we'll get a clear picture once the monsoon starts.
- Tarang Agrawal:** Got it. And given the soft outlook on Cotton, would it be fair to presume that it's a little more skewed towards Non-cotton?
- Mithun Chand:** Definitely. Going forward as the Non-cotton portfolio is a very big portfolio, and you have many crops in that, and every crop has got a huge scope to grow. But what I said in the initial is that cotton to non-cotton should be like 30-70 going forward because we see that we cannot go below this cotton bracket. And we have very good pipeline as well, which are coming. So we have a potential to grow to that 80 lakhs to, like, 1 crore in the next 3, 4, 5 years whenever ready. So that's the reason we said that even cotton is a crop that will grow going forward.
- Tarang Agrawal:** Because that would entail almost doubling your volumes from the current levels?
- Mithun Chand:** Yes.
- Moderator:** The next question is from the line of Sanjeev Zarbade from Dream Ladder Investment Advisors.
- Sanjeev Zarbade:** My first question is regarding the other current liabilities, which have actually gone up from INR296 crore to INR366 crore. So what is that on account of?
- Mithun Chand:** One is the payables to the production farmers. That is a major chunk in that.
- Sanjeev Zarbade:** Okay. And also during this year, our biological assets have gone up by almost 40%. So how should we look at it? And what kind of benefit we can expect to accrue in the coming years from this?

**Mithun Chand:** Nothing is there. Whatever you're talking about, the biological assets, are basically the inventories. And we are anticipating more, so the inventories are also up. That's the only part.

**Sanjeev Zarbade:** Okay. Okay. And sir, regarding our revenue in the sense that if we see our revenues has been more or less stuck in the same range for the last 4 to 5 years. So what kind of medium-term target or vision we have for the business so that, as an investor, we can take a more favourable look at the growth profile of the company?

**Mithun Chand:** I don't think it has been stagnant for the last 4 to 5 years. In fact, if you see this year, revenues are up by 20% and profitability is up by more than 25%. I agree that if you take in the last 7 to 8 years, the trend was flattish. But if you see in the other way, the cotton prices were down, cotton volumes are down, cotton acreages are down, and which was contributing 75% to 80% of our total revenues. That is almost like 30% to 35% now.

So the other way to see is that we have grown in non-cotton crops to compensate the degrowth of cotton. But from this point where we see both the crops going forward, we see a revenue growth. Then definitely, we see revenue growth from here. Even in fact, we said that 10% to 12% in the top line and 15% to 20% in the bottom line growth. That should be what we are anticipating, and that should continue. And we are very bullish on the long-term growth, as well for the next midterm for the next 3 to 5 years, we will see this level of growth.

**Sanjeev Zarbade:** Okay. And sir, lastly, what kind of utilization plans we have for the cash and investment that we have because we've completed one buyback? Now I just wanted to understand our dividend policy in the coming years.

**Mithun Chand:** So we're a dividend paying company for the last 15 years since the time of listing and we have done buybacks in the last 5 years. If you see the cash in hand numbers in the last five years from 2014 to '15, it's between INR300 crore to INR400 crore or INR500 crore of cash. And whatever we have generated, we have distributed that to the shareholders, whatever free cash we generated. So that should be our policy going forward.

At the same time, if we see any opportunity in terms of the technology or in terms of any company acquisition, in terms of the R&D related or in terms of



any strategic investment for the company, we are open for that. If we don't see any opportunity, we don't want to hold back the cash we want to give it to the shareholders.

**Moderator:** The next question is from the line of Nitin Awasthi from InCred Equity.

**Nitin Awasthi:** So I wanted to understand the menace of illegal cotton seeds this time around. Is this still around? Is it still as big as it was last year and the year before that? Or has it been tamed?

**Mithun Chand:** Illegal seeds is even there now, but the awareness among the farmers and from the government, they are very strict in terms of the illegal seeds. So in terms of the percentages, I don't see it will increase. In fact, it should come down as a percentage as compared to the previous years.

**Moderator:** As we have no further questions, we thank you all for joining this call. For any further queries, please contact Mr. Rama Naidu from Intellect IR. He can be reached on 9920209623. On behalf of Kaveri Seed Company Limited, that concludes this conference call. Thank you. You may now disconnect your lines.

**Mithun Chand:** Thank you.