



# “Kaveri Seed Company's Q2 & H1 FY24 Earnings Conference Call”

**November 09, 2023**



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



*Kaveri Seed Company Limited  
November 09, 2023*

**Moderator:** Ladies and gentlemen, good day and welcome to Kaveri Seed Company's Q2 & H1 FY24 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 may be 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 over the call to Mr. Mithun Chand. Over to you, sir.

**Mithun Chand:** Thank you. Good afternoon. Welcome everyone to our quarter 2 and H1 financial year 24 earnings conference call. We hope you had a chance to review the presentation of our results, which is also available on our website. I will touch upon the operational and financial performance of the company and then open the floor for question and answer session.

Revenue from operations has registered a growth of 5.75% to Rs. 863.42 crore as compared to Rs. 816.44 crore in first half financial year 23. EBITDA was at Rs. 298.88 crore as compared to Rs. 259.72 crore in financial year 23, increased by 15.08%. EBITDA margin improved to 34.62% from 31.81% in first half financial 2023, improved by 301 basis points. Net profit grew by 14.45% to Rs. 278.56 crores as compared to Rs. 248.39 crores. PAT margin was at 32.26% as compared to 29.81%, grown by 245 basis points. Cash and books stood at Rs. 732 core as compared to Rs. 497 cores.

Major Highlights: Board has recommended 250% dividend, that is Rs. 5 per equity share on a face value of Rs. 2 per equity share. Despite stable volumes in rice and cotton, better realizations translated into



*Kaveri Seed Company Limited  
November 09, 2023*

substantial revenue growth which has fueled significant improvement in margins. The surge in global rice prices has propelled a remarkable 10.8% increase in rice cultivation area. The company is not only witnessing unprecedented success in the vegetable business, but also aggressively expanding its footprints in international markets. In vegetable, major focus is on cold crops like cauliflower, cabbage and carrot. Cotton volumes are stable and revenues increased by 6.77%. Hybrid rice volumes are stable, revenues increased by 9.97%. Selection rice volumes grew by 4.87% and revenues by 14.8%. Maize revenues were grown by 13.96%. The contribution of new products was up from 44.46% to 58.71% in Bajra. Vegetable seeds volume increased by 25% and revenues ruined by 20.6%. Vegetable crops like bitter gourd, tomato, okra and watermelon have done well. Export business has increased by 146.49% on account of expanding US geographies. Maize sales export volume increased by 129.91% and revenues by 140.52%.

I would now open the floor for question and answer session. Thank you.

**Mithun Chand:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Madhur Rathi from Counter Tech. Please go ahead.

**Madhur Rathi:** Sir, I wanted to know, sir, our cotton revenues from Q2-on-Q2 basis have fallen. So, why, what is the reason for that?

**Mithun Chand:** Second quarter is a very lean quarter for us. Whatever sale we get is a spillover sale. Compared to last year, if you see, because of the thin volumes, the cotton sale is lower. But that is not significant. It's only 2,000 packets, lower than last year.

**Madhur Rathi:** So, there was a report that this year cotton production was lower. So, do we think that next year cotton seed or sales will be better than expected



*Kaveri Seed Company Limited  
November 09, 2023*

or what kind of growth are you expecting in the cotton segment for the next year?

**Mithun Chand:** The cotton production is a bit tough this year which we are going to sell for the next year, but that's too early to predict the output on that. We can only say by the month of January or February what is the production that we are going to get.

**Madhur Rathi:** Sir, in your experience, how was the year post El Nino year been in our business segment of cotton and other seeds?

**Mithun Chand:** So, basically we have done well instead of this tough condition this year, most of the crops were stable or lower, but even in this tough conditions we were able to increase the revenues and some cross the volume as well. And being a multi-crop portfolio, we don't see that sort of a risk when compared to the other companies which are constantly in

one or two products. In that way, we are very much pleased and El Nino year and the other normal years are well in the cycle. So, we don't see much of a difference and we are quite bullish in the second half and even for the next year.

**Madhur Rathi:** Hybrid tobacco seeds that we had guided in our AGM that we had launched. So, how are they doing?

**Mithun Chand:** Hybrid tobacco seeds? Which seeds you are talking about?

**Madhur Rathi:** Yes sir, we had launched hybrid tobacco seeds, we had guided in our AGM. So, that's what I was asking. How has that responded? Hybrid tobacco seeds sir?

**Mithun Chand:** Hybrid tobacco, we are not in the tobacco at all.



*Kaveri Seed Company Limited  
November 09, 2023*

**Madhur Rathi:** And sir with Rs. 732 crores on our cash, please do a buyback sir, it will be very helpful for our shareholders.

**Mithun Chand:** Definitely, we will definitely consider but it is subject to the board discussion, we will definitely consider it.

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

**Anand:** My first question is on cotton seeds. What I realize is that seeds like Jadoo, ATM although they had a very high yield but the feedback that I have received is these old hybrids take around 160 to 180 days for maturity and currently these seeds have become susceptible to bollworm in the later stages of crop. So, is that a fair understanding?

**Mithun Chand:** Yes, as we move forward, these are old hybrids and if you see after Jadoo became ATM was there, ATM is still doing well in some parts and after that, we have introduced Moneymaker which is also doing well now. After that, now we have introduced couple of hybrids for the north and the central regions also which are doing well. So, it's a combination of all and definitely in the industry and as we go over the years previous hybrids get faded out and new hybrids come in based on the challenges. Most of the hybrids as you rightly said that we are trying from virus, some second best resistance that we are looking at.

**Anand:** So, the two hybrids that I hear from Kaveri's table are 144 and 36. These are the hybrids which matured much earlier in the cycle like 100-120 days. So, where are we in, if I were to look at last season, if you can give us a breakup of how our sales were between these older hybrids which would take higher maturity and these newer hybrids which would mature much earlier in the season?



**Mithun Chand:** Basically if you take our portfolio, Jadoo, ATM and Moneymaker contributes to more than 85% of the revenue. There are other hybrids which are sold in very small quantity. So, these are all the new hybrids which are introduced recently like half a lakh, one lakh packet. So, based on next year and we are waiting for this year result, as of now it looks good. But for the next meeting, I can be telling the exact position which are the promising hybrids based on the performance this year. But what we see as of now is they are performing well and going forward these will pick up the volumes.

**Anand:** So, if I were to look at this season, I think on a combined with it around 57 lakh packets as a company, a consolidated company, is that the number?

**Mithun Chand:** Roughly, I don't exactly remember but it is close to last year..

**Management:** 55-60 lakhs somewhere in between.

**Mithun Chand:** It was close to last year 1 lakh plus or minus. It's only 2% more that's it.

**Anand:** So, going ahead, do you see that so some of these hybrids let's say 36 or 144 depending on how these hybrids perform, do you think that the share of these would continuously keep going up?

**Mithun Chand:** Definitely, we think we have very promising hybrids. As I said earlier, we will wait for another season, but this season end we'll be knowing the exact system about the performance of that. And we'll be giving guidance which are the hybrids which are looking better. And not only these two, but we have also tested many other hybrids in different codes, which I can't reveal right now. We're all testing stage, once we are there we will disclose. But definitely we see very promising hybrids in our portfolio. Going forward, we see momentum in cotton fields as well.



**Anand:** The next question that I have is again on the same thing. So, what has happened in the last like I've been tracking Kaveri Seeds like maybe 2015 or maybe even before that. The price of packet of seeds has not moved much like from Rs. 800 to Rs. 850 right now, roughly Rs. 845 I think that's the price. So, do you see significant margin pressure, and do you also see production volumes going down because the farmers are not getting compensated enough for that?

**Mithun Chand:** Yes, if you see cotton seeds from the last 8-9 years, it has not moved up when compared to 2015. But in the last 2 years, the selling price is moved. It might be so because now the production is very difficult. The cotton seeds production cost is also going up. So, that is putting a pressure on the margin, but definitely we are trying to increase the selling price so that it can compensate.

**Anand:** One more question in terms of the production side. So, if we have to plan for next season, then by when can we have seeds which can be used for production?

**Mithun Chand:** So, already we are trying for next year production. We usually sow in the month of May 23 for selling something in the Kharif of 24.

**Anand:** And going by our current production plans, what could be the maximum number of packets you can do in the next season?

**Mithun Chand:** I may not be disclosing the exact figure that we will not reveal as of now, but we have enough production for next year. As I said in the earlier question, what is the productivity of that, which only we will get to know by year end because the season was also not good. Pest attack was also more so that we'll get to know by December to January.



**Anand:** But I understand your difficulty in giving that kind of a prediction, but can we assume like it could be like 20% to 40% more or any range that you can get as compared to last year?

**Mithun Chand:** So, usually we are saying that cotton will grow in between 5% to 10%. As a guidance, we are saying cotton will grow in between 5% to 10%. We are on target on that as of now, but again, subject to the weather conditions.

**Anand:** So, basically for next year, as of now, things might change, you see a 5% to 10% growth in the cotton seed?

**Mithun Chand:** We have already given this guidance long back. In the past 1-2 years, I think 5% to 10% in cotton for the next 2 to 3 years. So, we still give the same guidance.

**Anand:** I'll move on to other crops now sir. We have seen significant growth in Q2 in maize and you have also highlighted that there is a very strong demand for maize going ahead. So, if you can tell us that what areas this demand is coming from and also on the export side, our exports have grown significantly this quarter. You have also alluded to export growing significantly going ahead. So, what kind of registrations we have in different countries? That is one thing I want to know. So, what are the crops in that sense? And how do you see export growth going ahead in the next few quarters and the next year? And also finally on maize, what kind of growth are we looking at in the coming year?

**Mithun Chand:** So, maize as a crop looks good both in terms of domestic and internationally. We gave a guidance of 10% to 15% growth in maize, on a longer term of 3 to 5 years. That we are pretty confident that we will be able to achieve it. And this quarter, especially when talking about coming back to this quarter, maize revenues contributed to the major





*Kaveri Seed Company Limited  
November 09, 2023*

growth. One is both in domestic we had a good sale and across India because anyway it's a very lean quarter for us. Second quarter, most of that is spillover sale. Might be in Karnataka, might be in some parts of Andhra, some parts of Maharashtra. But major contribution was from exports, where we have done Rs. 15 crore more than last year. So, against, Rs. 10 crores of exports, we had Rs. 25 crores of exports. That was a major revenue. And out of those exports, more than 90% of that was maize.

**Anand:** Can you see this trend continues?

**Mithun Chand:** Maize as a crop looks good. Going forward, we see maize going better in exports also. And we are exporting to other countries, so the majority of the exports earlier was only to Bangladesh and some of Nepal, now we are even looking at African countries. And we are concentrating on crops like maize, sunflower, vegetables, and rice. Rice especially for the Southeastern countries like Indonesia, Philippines, Thailand, these are the countries which are concentrating more, including Vietnam. So, we see a good growth coming in there. And wherever we are tested, our rice hybrid, that's very positive. So, definitely, as you know, it will take some time for us to make growth, but it's very positive, we are moving in a very positive direction and as a company, we are very much bullish on this export segment.

**Anand:** So, you also mentioned in the presentation this time that vegetable seed growth has gone up by 25% and 26% roughly, and the revenue grew by around 20%. And you also mentioned that there is unprecedented growth in the vegetable segment for us, success. So, how do you see this portfolio has not changed in last 5 years from like roughly say even stagnant at around Rs. 30 crores. So, how do you see this vegetable



going ahead like for this year and for the coming year? How do you see it changing?

**Mithun Chand:** Vegetable is a very big segment in India and this is a faster growing segment. We are very small in the vegetable segment by seeing the overall market. And the way what we have worked in the last 10 years, we have very good hybrids which are there in a pipeline and some hybrids are already launched in the market. And last year, we had done close to Rs. 45 crores as overall sale for vegetables. Again, first half it was Rs. 22 crore as compared to Rs. 26 crore this year. So, in the second half also, we see a similar growth. And we think that vegetable year-on-year will grow by more than 20% to 25% something like that.

**Anand:** Last question from my side. It's more of, in case of vegetable companies, to some extent, the demand outlook that we have can also be visualized from the balance sheet in terms of the kind of advances that we get from the customer. So, if I were to look at our H2 other current liabilities, which I think are mostly coming from advances from customers, they have gone up, they used to be like Rs. 80 crores – Rs. 90 crores 5 years before and now they are almost at Rs. 270 crores. So, if you can give some kind of a breakup of those advances

**Mithun Chand:** You are talking about current liabilities?

**Anand:** Other current liabilities, which are Rs. 270 crores and...

**Mithun Chand:** So, that means that other current liabilities not only advances, that also is a payment which we need to give for the production.

**Anand:** Which we also need to give for the production.

**Mithun Chand:** Usually, it is a very lean season. We don't have much of advances for this second half. Usually, we get advances for the first half, but the



*Kaveri Seed Company Limited  
November 09, 2023*

industry is changing. Nowadays, we are not taking much of an advantage because we need to give more discounts. So, we have slightly slowed down on that.

**Anand:** One last question, sir. So, on the company stock, one of the major hangovers has been the income tax issue. Two things, sir, what could be our maximum liability here in this case, in case we lose the case and we do think there could be some kind of a settlement with the department so that this hangover is taken care of?

**Mithun Chand:** Basically we don't have any litigation as of now. I mean to say we don't have any pending demand other than what we are disclosed in the balance sheet or to the exchanges. Other than that, we don't have any pending demands. We are claiming it as an agriculture income. They might deny it. For that, the liabilities are calculated what basis they do it. But as of now, we have only one year litigation that we are seeking. The other litigation is a different litigation. We never got any demand for that.

**Anand:** And what is the amount? I mean, if you can...

**Mithun Chand:** They never derived any amount for that because as they have not given any demand, so there's no derivation for the liability.

**Anand:** This is a major, major hangover because the rest of the crop companies that I see, even some of the competitors, they actually don't consider it as an agriculture income like DCM Shriram and others.

**Mithun Chand:** I don't know which companies you are seeing it. Many companies doing that way. But then the subject is pending and everything is disclosed. The reports and everything is transparent from the company side. Based



*Kaveri Seed Company Limited  
November 09, 2023*

on the other unexpected liabilities, we don't know. If something is there, definitely we will try to intimate.

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

**Manish Shah:** Sir, in the presentation, you told that the second half also is looking very good. So, what crops are looking good and what kind of revenue growth you can do compared to last year, sir?

**Mithun Chand:** Basically second half is all contributed by maize and the other segment what we are looking at exports. These two contributes to the major second half. Both the segments should do well.

**Manish Shah:** Sir comparison to last year second half should be what 15%, 10% more?

**Mithun Chand:** So, we have given a guidance between 10%-15%, that is what we see for.

**Manish Shah:** In the guidance you have told that the profit can grow by 15% CAGR for the next 2-3 years. Do you stick by that guidance sir?

**Mithun Chand:** If you see the first half, here the profit has grown by close to 14%-15%.

**Manish Shah:** For the next 2-3 years is it possible sir to do this kind of numbers?

**Mithun Chand:** Yes, on a consolidated basis for the first half grew by like 13.5%. We only said 12% to 15% of the bottomline. We are still stick to that.

**Manish Shah:** Sir, another question is about the exports and the vegetables. Sir, in the next 3 to 5 years, what kind of figure can you like, can it be a Rs. 100 crore business or more than that exports and vegetables or any other?



*Kaveri Seed Company Limited  
November 09, 2023*

**Mithun Chand:** Next 3 to 5 years, what we see, both exports and vegetables should be close to 100%.

**Manish Shah:** A single segment or both?

**Mithun Chand:** As a single segment.

**Manish Shah:** And sir, any other promising crop?

**Mithun Chand:** we have started selling mustard also. That is also a good crop. We also see growth in that mustard.

**Manish Shah:** And sir, about the cash on the books of Rs. 732 crores, what are the future plans, sir, any acquisition or any other thing?

**Mithun Chand:** We are open for acquisition. In the previous, as you were not able to find any growth, we have given dividend or buyback. So, again, based on the current scenario, we'll see whether we need to go for the buyback or based on the opportunity we need to acquire a company. That will disclose, but again, that depends on the board. Once any outcome from the board, definitely we'll let you know.

**Manish Shah:** Sir, what kind of area in acquisition are you looking sir because in the presentation, you have given that the cotton seeds, we are the number two player. And in other segments, where are you looking for acquisition, sir?

**Mithun Chand:** Basically for some vegetable companies or some technology.

**Manish Shah:** Sir, any specific, sir?

**Mithun Chand:** As of now, nothing. I said that we have not identified any company, and we are open for it. If any company comes in, definitely we will identify. As of now, we have not identified anything.



*Kaveri Seed Company Limited  
November 09, 2023*

**Manish Shah:** So, sir, if there is no acquisition, then there is a buyback?

**Mithun Chand:** Yes, that I will not comment as of now. That, again, subject to the board decision, any decision taken will definitely inform.

**Moderator:** We would take that as a last question. On behalf of Kaveri Seed Company Limited, I would like to thank all the participants for joining the call. For any further information, please be in touch with Rama Naidu from Intellect IR. You can reach him on 992-020-9623. On behalf of Kaveri Seed Company, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.