

16th August 2024

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P.J.Towers, Dalal Street, Fort,
MUMBAI - 400 001
Scrip Code: 532899

National Stock Exchange of India Ltd.
Exchange Plaza, 5th Floor,
Plot No.C/1, G Block,
Bandra Kurla Complex, Bandra (E)
MUMBAI - 400 051
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Dear Sir/ Madam,

**Sub: Transcript - Kaveri Seed Q1 & FY 2024-25 Results Conference Call on
Tuesday, 13th August, 2024 - Reg.,**

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Please find attached herewith Transcript of Kaveri Seed Company Limited Q1 & FY 2024-25 Results Conference Call made on Tuesday, 13th August, 2024.

The transcript and audio is uploaded on the Company's website as well on below link:

https://www.kaveriseeds.in/wp-content/uploads/2024/08/Transcript_Q1_and_FY2024-25.pdf

This is for your information and records.

Thanking you,

Yours faithfully,

For KAVERI SEED COMPANY LIMITED

SREELATHA VISHNUBHOTLA
COMPANY SECRETARY

Encl: a/a.





“Kaveri Seed Company Limited Q1 FY25 Earnings Conference Call”

August 13, 2024



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



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Moderator: Ladies and gentlemen, good day, and welcome to Kaveri Seed Company's Q1 FY '25 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 after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

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. For a list of such considerations, please refer to the earnings presentation.

I now hand the conference over to Mr. Mithun Chand - Executive Director. Thank you, and over to you, sir.

Mithun Chand: Thank you. Good afternoon and welcome everyone to our Quarter 1 Financial Year '25 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 upon the operational financial performance of the Company and then open the floor for a question-and-answer session.

The Company is very bullish on both Maize and Rice and expect both volumes and realizations to go up in the years to come. Increase in volumes in both Maize and Rice have resulted in good growth rates in revenues. The sowing area of Maize and Rice had increased across several states by 10% and 5.28% respectively as compared to last year.



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Company is able to successfully pass on the incremental cost of cultivation and are able to maintain our margins.

Exports during the quarter have been very encouraging and would continue to do well in the coming years to come. The contribution of new products have substantially increased in both Maize and Bajra. Cotton volumes and revenues were down by 35% and 27% respectively.

Standalone financial highlights:

Revenue from operations was at Rs. 808.08 crore as compared to Rs. 767.37 crore in Q1FY24, registered a growth of 5.32%. EBITDA was at 292.29 crore as compared to Rs. 279.09 crore in Q1FY 24, an increase by 4.91%. Net profit was at Rs. 282.91 crore as compared to Rs. 267.84 crore, registered a growth of 5.63%. The cash on books stands at 605 crores.

Hybrid rice volumes increased by 10% and revenues increased by 17%. Selection Rice volumes increased by 15% and revenues increased by 27%. Maize volumes increased by 97% and revenues increased by 80%. The Contribution of new products was up from 67.67% to 75.79% of volumes in Bajra. The Contribution of new products was up from 40% to 52% of volumes in Maize crop. Cotton volumes as well as revenue decreased by 35% and 27% respectively. Vegetable Crops like Beet root, Tomato, Ridge guard, Sponge Guard and Marigold have been performed well. Export business sales is increased by 451.73% compared to last year quarter 1.

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



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Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Siddhant from Goodwill. Please go ahead.

Siddhant: You know, last quarter you had guided for a 4 to 5% volume fall in cotton, if I am not wrong. And volumes have fallen drastically by 35%. And what would your guidance be for a year or an approximate one? And what has caused this huge 35% fall?

Mithun Chand: When we started last year, we thought that the cotton acreage would go up this year, and we thought that the supply will be lower this year. But when we see this year, the acreages were down by 10% across the country. And there was more steep fall in the states of northern India where we were very strong. And there was some issue with production also where the hybrids which were in demand was in shortage for us. And there was a huge supply in the market. And as we want to retain our realizations, we are compromising volumes as well. So, that is the major impact which we have seen this year.

Siddhant: Will we be able to catch up some of our cotton sales in the upcoming quarters, or is it?

Mithun Chand: Majority of the sale is already done for this year. I don't think the cotton acreage, cotton sales will happen in the next coming quarters. But this is the sale what we anticipate, and this will remain as it is.

Moderator: Thank you. Next question is from the line of Rishi Kothari from Pi Square Investments. Please go ahead.

Rishi Kothari: Sir, this is the first time I am attending the Kaveri Seed's Con Call. So, while going through the financials, what I saw is that on a quarterly basis, the June quarter is one of the quarters that posts the highest sales



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among all other quarters. So, what exactly is it because of the crop that we grow or if at all that is the reason? Is there any other possibility of changing the dynamics from a full year rather than a seasonal revenue posting for us?

Mithun Chand: We are in a business where it is very much seasonal because we get the monsoon in the month of June-July and the majority of the crop comes after the monsoon. Especially, for example, if you take cotton, cotton only comes in the month of May, June and July. So, we will be in line with the season, but if you see our portfolio, we have one of the largest portfolio with a good mix of crops. And going forward, I think this will remain the same, but the percentage is slightly changed going forward. But definitely, first quarter will be the major quarter for us.

Rishi Kothari: But eventually, let's say, 2-3 years down the line, what are the revenue targets do we have in terms of the growth targets? Do we have anything on our mind internally that we have decided?

Mithun Chand: So, we anticipated a growth of 10% in terms of the top line and 15%-20% in the bottom line. We gave that guidance, but this year, unfortunately, we couldn't do well in the cotton crop because the crop has come down and for various reasons might be there because of the pest attack or otherwise the returns on the crop were lower this year.

But otherwise, if you see the other way, we have managed in spite of cotton being more than 35% of our portfolio where we have lost 35% of the revenue, in spite of that downfall in the revenues, we were able to manage by growing in other segments, especially like maize and rice, wherein maize has grown by more than 75% and rice has grown by more than 25%.



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So, that gives us a better edge than other companies where we have a good mix, and we can compensate revenue loss in other crops. But going forward, even we are bullish on cotton. As I said that sometimes based on the seasonality and the price of the commodity, it varies, but I don't see a threat on the long-term business as there will be a year or two where we see this type of unexpected thing, but we should take a compounded way, 10%-12% revenue growth and 15%-20% of the bottom line is quite possible.

Rishi Kothari: For how many years are we experiencing, for 2-3 years or any?

Mithun Chand: No, going forward, I am taking about 5-10 years' view.

Rishi Kothari: 5 to 10 years view, okay. And in terms of the cotton prices that you said, right now, I read the report that cotton prices recently have increased like on an average of 4 to 5%. So, is that beneficial to us or is it a harmful thing for us as a Company?

Mithun Chand: It is a beneficial thing for us. If the prices go up, that gives more revenue for the farmer. But the other way is that even our production costs have gone up and we were not able to reduce the cost of production, and we were not able to pass it on to the farmer because it is controlled by government and that is one of the reason where we have lost the sales.

Rishi Kothari: So, we have in a way absorbed the cost of production that has increased for us and not passed on to the farmers. So, that is in a way capped our margins in a way.

Mithun Chand: Yes, exactly.

Rishi Kothari: And in terms of the CAPEX, what are we targeting for next year, FY '25?



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Mithun Chand: So, CAPEX is a continuous thing as we are increasing volumes in other crops, we require new plants and facilities to process the seed. And the other thing is that we are spending a lot in R&D. So, as we have said earlier also, Rs. 40 to 50 crores is what we spend on a year-on-year basis for the CAPEX. That should be more than sufficient for us.

Moderator: Thank you. Next question is from the line of Jahnvi from Aequitas Investments. Please go ahead.

Jahnvi: My question is on the lines of the announcement on 109 seeds during elections by PM Modi. So, in a few articles, I read that these seeds also include a few rice and cotton seeds. So, could you help with out of 109 seeds, how many seeds can we end up benefiting from and what sort of size of opportunity are we looking at in case of approvals?

Mithun Chand: So, basically those seeds are released by the government. We need to see the performance of those seeds. But anyhow, we are not accessing those seeds. We have our own in-house R&D where we breed for it, and we sell in the market. So, we don't use those seeds. But the other way, we have ties with the universities where we source the main, we have access to their Germplasm, and we have ties with all the government bodies and international institutes where we take the access to the Germplasm in using or in developing hybrid seeds for us.

Jahnvi: But however, even if the performance for some of these seeds comes out really well, we would not end up using these seeds or not end up benefiting from this at all.

Mithun Chand: No, as of now because we have our own research, and we need to see that. But we have many hybrids which we need to see the performance



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of that. This is the first year where they are launching it. We can only comment after seeing the results of that.

Moderator: Thank you. Next question is from the line of Sanjeev Zarbade from Dream Ladder Advisors. Please go ahead.

Sanjeev Zarbade: Can you give me a sense of the demand outlook for the future over the medium term?

Mithun Chand: If you see the crop where we are dealing with, we are mainly with rice, cotton and maize. These are the three big crops. Apart from these, we are into vegetables, Bajras and all other crops.

But if you see the top four crops like maize, rice, vegetables and cotton, we see a good growth in most of the crops because the maize area is increasing year-on-year. As the government has initiated for the ethanol projects, that will give a good way for maize.

And in rice, the hybridization percentage is going up. That's a good sign for us to increase the market shades of hybrid rice and we are a part of it.

And apart from that, cotton, if you see year-on-year, it's coming down. But definitely cotton has acreage in the medium term, three-to-five-year view, definitely that should go up. And vegetables as a segment is increasing at more than 15% year-on-year. So, we are there in most of the segments.

Apart from that, we are there in niche markets like mustard and bajra. So, these are also doing well including sunflower. So, we see a good growth in most of the crops and we are not worried about the cropping pattern as such as we are a well-diversified portfolio and in most of the



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crops we are in the top 3. So, we will definitely get advantage of that. We see good growth in the coming years.

Sanjeev Zarbade: And what would be the size of exports over the next 3 years timeframe?

Mithun Chand: If you see exports, last 3-4 years we have gained some traction in exports, especially in crops like sunflower, rice and maize. These are 3 big crops where we are exporting including vegetables is also there, where we are doing in a very small way.

But as you are aware it takes a longer time for us to establish in different countries, because the farmer only believes in seeing. So, it takes some time, but it is very fortunate that the samples or the experiments or what we have done in the last years, it has given a very good result.

Going forward, we are targeting many countries, especially the African countries and the Southeast Asian countries, these are the two new countries where we are concentrating on, and we are getting good traction through that. So, if you see in the down line 3 to 5 years, we are very bullish on exports and exports will definitely growing more faster than our normal growth.

Moderator: Thank you. Next question is from the line of Mohammed Patel from Care Portfolio Managers Private Limited. Please go ahead.

Mohammed Patel: Textile Minister mentioned that we can expect approval of the new BT cotton variety. So, where are we on that?

Mithun Chand: We are one of the largest pair in BT cotton segment, hybrid BT cotton segment and we are already a part of the entire program. Whenever they give the licenses, we will be one of the top most to get benefited



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from that. So, we are very optimistic that most of the approvals will be given, approved now, and we already are in tie-up with the service provider. So, it should not be a problem for us and it's a very good sign for the industry as well, because once the idea of genetically-modified crops are cleared, there is not only cotton, there are many other crops to come in. So, that's a very good sign for the industry and we are very bullish and optimistic about that.

Mohammed Patel: So, can we expect this to be a part of our sales next year?

Mithun Chand: I can't time, we can't time exactly because it depends on the government approval, but by seeing the pace and by seeing the approach of the service provider and the government's approach towards approving the genetically modified crops, it looks that it will be released as early as possible.

Mohammed Patel: And whenever this happens, what kind of opportunity this can bring for Kaveri?

Mithun Chand: So, basically the entire cropping pattern will shift, will move to the new technology. So, as we are already there in that business and we are in line, we are in tie-up with the service provider, so, definitely we will be a part of it. And again, based on our hybrid performance, definitely we have an opportunity to increase our market shares. So, that's why we are in like very positive, very well placed for the new technology.

Mohammed Patel: And so, whenever this happens, we can expect to grow 20%-30% much higher than what you would have grown with the older technology.

Mithun Chand: See, that all depends. It's not about technology. Definitely, technology will definitely make an improvement in the yields for the farmer, but



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again it depends on the hybrid. The compatibility with the technology with the hybrid, that matters, but the pipeline hybrid is what we have. It might be too early, but the experience, what we can say is that the hybrids what we have in the pipeline will definitely help us to increase the market share.

Mohammed Patel: So, you are saying after the approval, you can see higher growth in the cotton segment for a few years?

Mithun Chand: Definitely, if not even, I will just say, even if the technology is not approved, but the pipeline hybrid is what we have, are giving better yields. Down the line, we see that even if the technology is approved or not approved, we will definitely increase our market share in the coming years.

Mohammed Patel: And what will be the pricing for this new technology, with the government regulator pricing?

Mithun Chand: Again, that needs to be decided and discussed both with the technology provider and the government. We are too early on that, but definitely, they are working on that one, the technology. They will work on that once the technology is approved.

Mohammed Patel: My next question is, any update on the contingent liability and the tax matters?

Mithun Chand: As of now, I think what we have disclosed is what we have and something comes up, definitely, we will disclose it to the exchanges and investors.

Mohammed Patel: And what is the exports number for Q1? Absolute number?



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Mithun Chand: Q1 is a very lean quarter. Exports, I will just click it anyway, before the end of the call, I will just click it.

Mohammed Patel: It's okay. My next question is, so maize grew 80%. So, have we gained market share as compared to last year that is resulting in high growth? Maize has grown 80%. So, I was just trying to understand, have we gained market share as compared to last year?

Mithun Chand: Definitely, the maize acreages are up by 10% and in terms of the volume, they are up by 50%. Definitely, we have gained market share in that.

Mohammed Patel: Can you share the number, market share? Can you share the market share number?

Mithun Chand: We will be around 10% to 11% of the market share now.

Mohammed Patel: And what was this number last year?

Mithun Chand: It will be, I am just figuring out the first quarter, but we need to see market share at the end of the year. It's too early to decide about the market share.

Mohammed Patel: What are the R&D spends expected for FY '25?

Mithun Chand: It will be 15% higher than last year. Last year was around 55% and the CAPEX was around 15 odd crores, 70% to 80% of the total expenditure on R&D. That will go up by 15%.

Moderator: Thank you. Next question is from the line of Rohan Patel from Turtle Capital. Please go ahead.

Rohan Patel: Some data points I want from your side. As for March, as for the Financial Year '24, what would be our cotton sale? As of March '24,



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for Financial Year '24, what would be our cotton sale in volume as well as in value? For Financial Year '24, what would be the cotton sales for the year in value and volume terms?

Mithun Chand: Our cotton sales usually, majority of the sale happens in the first quarter. The numbers which are there for the first quarter is more or less like for the year. Last year, we have sold around 55 lakh packets. This year around 35 to 36 lakh packets.

Rohan Patel: I am asking for Financial Year '24. Is this for financial year 24?

Mithun Chand: Yes, more or less like Financial Year '24, 55, 56 is the total sale.

Rohan Patel: And what would be in value terms for Financial Year '24?

Mithun Chand: As of now, I don't know the exact numbers of the entire financial year for cotton crop, but I can tell you the quarter basis because (+/-5%), this is the total sale for the year. For the Financial Year '23-'24, the cotton sale was close to 350 crores. This year it is like Rs. 250 crores, for the first quarter. So, more or less, it should look the same for the entire year.

Rohan Patel: And I just missed your comments on the reason why our cotton sales fair for this quarter 1 FY '25. Can you just help me?

Mithun Chand: I was explaining the earlier but anyhow, as we had lower inventory this year compared to last year, we had a constraint in getting this stock for our main hybrids. That is one thing where we had lost the sales. The other thing, cotton acreage as a whole in India decreased by 10%. And in the areas where we are strong, especially in Northern India, the acreages accounted more than 20%.



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The other thing is that as the production cost has gone up, and I mean to say like the selling price got increased by only Rs. 10. So, we wanted to realize more. In that way, consciously we have lost some sales. So that's where we lost. There are four or five reasons as a combination of all where we have lost the market share and sale.

Rohan Patel: So, the main would be that one, the acreages are down by 10%; second, the cost has increased, which you could not be passed on. So, we wouldn't want to sell it at certain realizations which are not profitable for us. These are the two to three main reasons.

Mithun Chand: And other thing where we were very strong in northern India, we lost. I mean to say, the acreages were down by 20%.

Rohan Patel: Acreages were down by 20% for quarter.

Mithun Chand: Where we were strong, especially in northern India. And the other reason is that we were not having hybrids because there was a production constraint last year because of pest and rainfall. We couldn't get the desired quantities of the most, I mean to say, popular hybrids. That is one of the reasons.

Moderator: Thank you. Next question is from the line of Ranjit from IIFL Securities. Please go ahead.

Ranjit: First thing on the cotton front. So, would it be too early to kind of give some comments over the next year's availability? How is the production turning out this year?

Mithun Chand: It's early, but we will definitely get an indication because this year we were able to get more production area and as of now the crop also looks good because we have good rainfall this year. I don't see any constraint in terms of availability for next year, not only for Kaveri but



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for the industry. We don't see any constraint for that. The production will be sufficient for next year.

Ranjit: So, would it be fair to assume that we can go back to the FY24 kind of volumes?

Mithun Chand: Definitely, we are pretty confident about that and there are a couple of new hybrids which were launched last year, but we couldn't sell in a good quantity this year. Even we are expecting a good production for that hybrid. So, if that comes in, definitely we see a good growth in cotton.

Ranjit: And the second question is on the margins front. So, despite cotton underperforming significantly, we are still able to protect our margins. So, what is happening on the non-cotton seeds front? Which are the seeds or the segments that we have seen a bit of an improved profitability this year and how sustainable that would be?

Mithun Chand: Non-cotton crops' pricing is not controlled by the government, and we can easily pass it on to the farmers. So, we work on different margins in those crops. Even though if you see the production costs have increased in non-cotton segment as well, but we were able to pass it on to the farmer. So, that's the reason we were able to maintain our margins.

Ranjit: Can you give ballpark numbers on the margins for the non-cotton seeds?

Mithun Chand: That will be a bit difficult, but if you see the first quarter figures, the EBITDA margins, I mean to say, they are like minus other income, the EBITDA margins stood at like 35%. So, this should be something like close to 38 to 39%. But when we talk about the margins, we need to



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see this for the entire year being first quarter being the major year, the margins look higher.

Ranjit: So, we should settle on 24% to 25%.

Mithun Chand: That's it.

Ranjit: Can you guide us how much has been the quantum of the price increases in the non-cotton side?

Mithun Chand: If you see it's like the more than in between 10% to 15% is the price hike. That's the same we have incurred, I mean to say, even the cost of production has also gone up by more than 10% to 15%. We have increased in the same ratio as what the cost of production got increased.

Ranjit: And finally, any thoughts on continuing with the rewarding of the institution of these profits? So, we were earlier doing buybacks and dividends.

Mithun Chand: Again, that's a good call we need to take. But if you see in the recent budget, there were changes in the taxation front. That we need to again discuss in the board and then we will take a call on that. But we have not discussed anything about that because we had just completed a buyback last quarter. So, we will come up with the decision in a later part of.

Moderator: Thank you. Next question is from the line of Janish Shah, who is an individual investor. Please go ahead.

Janish Shah: Just wanted to get some understanding on the product mix. Basically, I think you have already managed to have almost like a two-third, one-third kind of a mix between the cotton and non-cotton in the season,



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basically the first quarter, which is the most remunerative quarter for the Company.

Going ahead now, how do we see the seasonality getting even out or do you think the variations in revenue can be a little bit balanced going ahead as we go ahead, maybe next two, three years given that we have launched new varieties, and we are also trying to diversify the crop patterns? So, how do we see that change?

And of course, you have already mentioned the profitability is higher. Do you think this year in spite of the sharp decline in the sales of cotton, the margin, the profitability which you guided around 15%, 20% growth in bottom line could be achieved or do you think it will get pushed back to the subsequent years?

Mithun Chand:

First, coming back to your last part, in terms of the profitability, as first quarter is a major quarter, I don't think we will attain that 15% to 20% margin profitability, because we have grown at 5% to 7% in terms of the profitability for this year. I think that should remain same by plus or minus the other 2% here and there.

But when coming back to the seasonality and the business, even I explained in the earlier call, as India being majority of the Indian, I mean this agriculture, majority of the acreage comes after the monsoon, which is in the month of May, June, July. So, these are the main quarters for us, and for India, this will be the main season.

So, we will be in line with the Indian seasonality, but yes, going down the line by like 3-4 years, as a percentage of contribution in the first quarter and in the next subsequent three quarters will change. As a percentage, it will come down. If you see, 10 years back and now, 90% to 95% of the revenue used to come in the first quarter, but right now



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it's only 65% to 70%. Going forward it might come down further, but definitely first quarter will be a major quarter for us. Not only for us, any hybrid seed Company.

Janish Shah: And is there any outlook on export, in a sense, in terms of numbers what kind of visibility or targets you set for yourself for next two to three years? As you already mentioned, export is going to grow faster than the overall Company growth rate. So, if you can just give some more flavor to it, that will be helpful. And does it a margin accretive? Do we have an export as a higher margin than the domestic one?

Mithun Chand: Export looks very good for us as every time, every year we are adding new countries. When you see in the last five, six years, every year our habitats are getting introduced to different countries. So, going forward, we are very bullish on exports and export market as a whole is also growing as an Indian perspective and as crops, we have enough crops to export to other countries.

Going down the line, we see better growth as I rightly said, but we see a better growth in exports when compared to normal growth, but as of now it's only 4% to 5% of our total revenue. Down the line 3 years, it should be like close to 10% of our total revenue.

Janish Shah: And margins are better?

Mithun Chand: It's like in line with the normal market, but right now we are even slightly compromised in the margins as well as we need to establish our hybrids in the market. But down the line, once we get the good market grip or when our hybrids get popular in those countries, definitely we will try to increase the realization. As of now, it's slightly lower than what we realize here.



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Moderator: Thank you. Next question is from the line of Krushi Parekh from Pentacle. Please go ahead.

Krushii Parekh: So, my question is that just this last week government released some new varieties of seeds, the breeder seeds, which I believe will take about two, three, four years for the companies to start developing and making it available commercially. So, how is the market dynamics likely to change because of this? And is there going to be any impact on Kaveri Seed's business going forward?

Mithun Chand: Even I explained some of the question earlier. See, these are new hybrid which are launched right now. We need to see the performance of the hybrids. But technically, if you see, there are many companies which are introducing hybrids every year. Not 100 hybrids, there are thousands of hybrids which get introduced every year across India, whether it is by government or whether it is by private players.

So, as a Company, we are competing with all these and doing business in most of the crops. So, that doesn't make much difference for us because we are more dependent on our own R&D, and we are pretty confident about our own R&D and the pipeline hybrid is what we are seeing now. So, as of now, we can't comment about those hybrids which are going to get released in the next 1 to 3 years. But by seeing our present portfolio and the pipeline hybrids, we are pretty confident that we will do better than the industry.

Krushii Parekh: And how is our product mix likely to change over the next 3 to 5 years?

Mithun Chand: I don't see much change in the product mix because we have already lost a significant revenue in cotton. Last year also, we said that we can't go below in cotton, but due to some circumstances, we lost



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revenues in cotton as well from the bottom, what we thought as a bottom. But if you see the crops of the portfolio where we operate, we don't see any decline from now.

So, what I mean to say is that the product mix will not change much going forward. Going forward, the cotton percentage might slightly grow what we had this year because we see a good growth in cotton in the coming next 3 to 5 years. And definitely we are growing in other crops also. As a low base, cotton will grow much faster than other crops.

Moderator: Thank you. Next question is from the line of Pradeep Rawat from Yogya Capital. Please go ahead.

Pradeep Rawat: So, I have some basic questions. So, first of all, do we procure seed from outside or do we manufacture it in-house?

Mithun Chand: Basically, we produce the seed. We take land on lease, and we have our own seeds where we take the production activity and produce for ourselves.

Pradeep Rawat: So, you mentioned earlier that the supply of seeds was not good for cotton, so that's why our volume took a hit. So, I didn't get the point. So, can you elaborate on that?

Mithun Chand: As I said that we take land on lease and produce it ourselves. Last time there was some deficit rainfall in some areas where we have produced. And the other thing is that the delayed, the intervals between the rainfalls were too high and there was some pest infestation. So, these all are the effect of production activity. That's the reason we are not able to get the desired inventory levels.



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Pradeep Rawat: And where do we have our lands? So, it is spread out over India or is it consolidated in some regions?

Mithun Chand: So, we don't purchase land. Based on our need and requirement, we take land on lease for the season and then develop, produce the habitats. There are some specific areas where the climatic conditions are good. So, we produce there.

For example, in cotton, we produce in Andhra, I mean to say the Gadwal region or some Maharashtra, Gujarat and some Karnataka. So, based on the climatic condition, we choose the land and that's how we produce it. Based on the need and requirement, we take land on lease and produce it.

Pradeep Rawat: And second question is, are we seeing decreased acreage of cotton, partly due to the high demand for maize and rice, due to ethanol policy? So, more land is being utilized for growing rice and maize, rather than cotton. So, is that understanding correct?

Mithun Chand: There are many reasons for that. As of now, the maize price has a high. One reason might be because of ethanol, but most of the ethanol projects are not started. But still the maize price is pretty high now. The maize crop looks much lucrative than the cotton. That's the reason farmers are also moving it. And the other thing is that cotton cultivation has become a bit difficult now, one, because of the pest, and second, because of not that lucrative price for the cotton. That's another reason why the cotton acreages are down.

Pradeep Rawat: And the key requirement per hectare of cotton acreage, so is it higher than the rice, maize? So, do we need more amount of seed to grow per hectare of cotton?



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Mithun Chand: We can't specify that because some require in Kg, some require in grams. For example, per acre of land, cotton they require just like 900 or 1 Kg of seed, whereas in rice it require 10 Kg to 30 Kg. So, that all depends on which crop we are cultivating. In vegetables, it is in grams.

Pradeep Rawat: So, my next question is regarding the export. So, you mentioned that this was a lean quarter for export. So, can you highlight which is the bulk quarter for exports?

Mithun Chand: Usually second, third and fourth, because as of now we are very small, I mean to say, the base is very low. And when we add new countries, the sale based on their climatic condition, the export will go up, but usually 2, 3 and 4 quarters are the major quarters.

Moderator: Thank you. Next question is from the line of Rohan Patel from Turtle Capital. Please go ahead.

Rohan Patel: Again, just to reiterate what you just said, that due to low base in cotton, we will be expecting cotton to grow faster than other crops in next 3 to 5 years. Is that right?

Mithun Chand: Yes, as I said that the overall Company growth in terms of the revenue should be 10% to 12% going forward, when you take a 3 to 5 years view, but being a cotton low base, from here, we expect higher double, I mean to say, like, better growth than the normal the normal growth in cotton.

Rohan Patel: And see, for that to happen and to capitalize on that, first the cotton acreage needs to be increased, and second is, we have to gain the market share for that. Is that assumption right?

Mithun Chand: Yes, definitely cotton acreages should remain stable or at least should go up. And the other thing is that we need to have enough production



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where we can supply for the demand. The other thing is that we need to have good hybrids, pipeline hybrids or new hybrids which got introduced or which are getting to introduce next 1 to 2 years should do well. So, out of these 3, we expect the acreages going up. Second thing, we have a good production for the coming years and next, we have better hybrids. So, as a combination of these three, we see a good growth in cotton.

Rohan Patel: And do we see that just marginal increase in acreage, just to see that rice and maize are having good realizations for the farmers, and if cotton acreages don't grow substantially, with stable acreage or current acreage, we can grow at 10% to 12% the cotton seed for next 3 years. Is that possible?

Mithun Chand: Yes, even if by seeing the present acreages and if they are stable, still we can grow in those segments because we lost market share or we lost volume. Basically, we don't have the desired hybrid levels, hybrid what they want. For the next coming years, we will definitely have those hybrids because the production looks good for this year. And we had a very aggressive production program this year. So, I don't see any challenge for the desired products.

Rohan Patel: And can you name what kind of hybrid you are bringing into the market that will help us grow our share?

Mithun Chand: Sir, there are different segments and different hybrids. As a Company, as a whole, we market more than 200 hybrids. So, there are not only for the cotton but for a mix as a whole as a Company. So, we market more than 200 hybrids. So, based on each segment, we have different hybrids and different pipeline hybrids which are performing well. And that gives us confidence to say that we will grow much better in cotton in the coming year.



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Rohan Patel: And just to confirm, like in previous calls you were saying that over the next 3-5 years, if we take, our non-cotton portfolio will be growing in range of somewhere around 15%, plus or minus 2%.

Mithun Chand: Yes, you see, we have grown much better this year when compared to what we have guided earlier. But we have lost our sale in cotton like more than 35% of our revenues and volumes.

Rohan Patel: Yes, I get that.

Mithun Chand: So, we are able to do better in non-cotton segment than cotton. But when you see as a combine as a whole for the next 5 years, even if you recollect, I was saying that there will be a year or two where we see ups and downs based on the seasonality and the pests. So, this is the season where we see that sort of difficulty. But when you compare in the next 3 to 5 years, as a consolidated or a CAGR basis, definitely we are growing between 10% to 12% in terms of revenue and 15% to 20% in terms of the margins.

Moderator: Thank you. Next question is from the line of Yash Gandhi from Stallion Asset. Please go ahead.

Yash Gandhi: I just want to understand how does the pricing sort of work in the industry and how do farmers sort of compare prices of different, different competitions? So, if you just sort of comment on that, just to sort of my understanding.

Mithun Chand: Definitely farmers compare with the price and with yield. If you see the expenditure or spend on seed as a total contribution is less than 5% for the farmer. So, he doesn't mind to spend more for the good quality seed which gives better yield than the competition. So, based on the



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competition, based on our hybrid performance, we price it 10% plus or minus of the prevailing hybrid which is doing better in those markets.

And in that way, the other thing is that when we are in the market, when our production cost is going up, that will be similar for the other competition as well. So, they will also increase the prices. In that way, more or less, we will be in line with the competition 10% to 20% based on our hybrid performance. So, that shouldn't be a challenge for us.

Yash Gandhi:

And sir, like, over here, would your distributors have some sort of leverage in terms of what areas or what state they want to sell, let's say, one particular brand against some other brands or do you have like sole distributors?

Mithun Chand:

So, basically it's not like definitely distributors or retailers will have a say in the call, but more than 75% to 80% of the farmers buy the seed by seeing the performance. So, if our hybrid has those sort of a like what you say like potential to give better yield, then the farmer will definitely ask for that.

As rightly said, some distributors will have where they will say that 15% to 20% of the market where they push some products or where they get or the farmer, they take new hybrids, which are newly introduced in the market to try. Otherwise, like 75% to 80% of the farmers buys by seeing the performance of the habitats.

Moderator:

Thank you. Ladies and gentlemen, as there are no further questions from the participants, on behalf of Kaveri Seeds, that concludes this conference. Thank you all for joining us. For any more information, please be in touch with Rama Naidu from Intellect IR on 9920209623. Thank you. You may now disconnect your lines.