

30th May 2015

Bombay Stock Exchange Ltd.,
1st Floor New Trading Ring
Rotimda Building
P.J.Towers, Dalal Street, Fort,
MUMBAI - 400 001

National Stock exchange of India Ltd.
Exchange Plaza, 5th Floor,
Plot No.C/1, G Block,
Bandra Kurla Complex, Bandra (E)
MUMBAI - 400 0051

Scrip Code : 532899

Scrip Code : KSCL

Dear Sir,

*Sub : Transcript : Kaveri Seed Q4 & FY 2015 Result Conference Call on
26th May 2015 - Reg.*

Please find attached herewith Transcript of Kaveri Seed Company Limited Q4 & FY 2015 Result Conference Call made on 26-May 2015. The same was displayed at our company's website : www.kaveriseeds.in

This is for your kind information and record.

Thanking you,

Yours faithfully,
For KAVERI SEED COMPANY LIMITED



C. MITHUNCHAND
WHOLE TIME DIRECTOR

Encls: a/a.



“Kaveri Seeds Limited Q4 FY2015
Results Conference Call”

May 26, 2015



TRUST GROUP



In partnership.
With trust



ANALYST: MR. TEJAS SARVAIYA - TRUST GROUP

MANAGEMENT: MR. MITHUN CHAND - EXECUTIVE DIRECTOR - KAVERI SEEDS LIMITED



Kaveri Seeds Limited
May 26, 2015

Moderator: Ladies and gentlemen, good day and welcome to the Kaveri Seeds Limited Q4 FY 2015 Results Conference Call, hosted by Trust Group. 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 this conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mithun Chand, Executive Director, Kaveri Seeds. Thank you and over to you Sir!

Mithun Chand: Good afternoon. Welcome to all for the Q4 earnings call. As you are all aware that fourth quarter is usually a lean quarter for the company. In this quarter we had done a standalone sale of Rs.29 Crores in seed with a PAT of 2.3 Crores and on consolidated basis, we have done a revenue of around close to 39 Crores at bottomline of 1.25 Crores.

In this quarter basically more than 40% was delinked and other 14 Crores from sale of hybrid seed. Compared to last year we had around 30 Crores sales in seed segment and around 8 Crores sale in micronutrient segment. This year you are all aware that we have made it a 100% subsidiary so we got 29 Crores against 30 Crores of sale last year and around 10 Crores of revenue in Microtek division.

Compared to last year, this year was fairly we have done better with overall consolidated basis and we have crossed 300 Crores of net profit this year. Going forward next year it looks okay for us as we do not see much of a decline in the cotton acreage going forward as we have got the same or more less same number of advance compared to previous year, last year we have got around 235 Crores of advances and this year close to 225 Crores of advance. So compared to previous year this year we have seen a good response as advances as we started with only 150 Crores of advance at the year start but it was encouraging to get around 225 Crores.

This year the farmer has faced a lot of issues in terms of the delayed rainfall, then delayed monsoon, then long dry spells and overall the crop prices being under stress, it was not that good year for in terms of the farm income. So that was the main issue this year but going forward we do not see that as a threat because we are saying that the early monsoon the timely monsoon is there and we do not see a much stress in the acreages, basically in areas like Andhra, Karnataka and Maharashtra more particularly to Andhra and Karnataka we see an increase in the cotton acreage whereas we see a



Kaveri Seeds Limited
May 26, 2015

slightly decrease in the northern areas, but that will not have we see a slightly 10% to 15% decrease in the North India cotton acreages, but as we are not that strong in Northern India that will not affect much, but let us point for the company that we see an acreage, a slightly higher acreages or at least remaining same in the Southern India.

In terms of maize as of now it looks positive when compared to previous year. Previous year was a very bad year for maize more than close to 15% decline was there in the acreages and this year we see slightly **(indiscernible) 4.35** compared to previous year. In terms of the other crops like rice and bajra, overall we see an improvement in the market. So we do not see much of a stress in those areas.

Compared to the previous year the main highlight what we can take the Q4 is that slightly the debtor balances have gone up compared to previous year basically because most of the payment has come in the last two to three months compared to previous year of 60 Crores we have a debtor balance of close to 150 Crores this year, but out of which more than 50 Crores was collected in the last few months and we see other major part coming in the next one or one and a half months and that was one of the reason why we have not collected much of advances in the areas where we had dues and that is the reason there was a slight decrease in the advance, but if you see as an overall we had balance of close to 280 Crores at the year end compared to 260 last year.

At the same time our creditors has come down compared to previous year. So overall this year was a better year when compared to previous year and going forward we see that we will give a guidance of close to 15% to 20% guidance for the next year as well.

That is it from my side.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Atul Mehra from Motilal Oswal. Please go ahead.

Atul Mehra: Just one question on the debtor's front. You just spoke about it. So if you just elaborate further on what exactly led to this in terms of elongated data cycle this season?

Mithun Chand: Pardon.



Kaveri Seeds Limited
May 26, 2015

- Atul Mehra:** On the debtor side, you just spoke about this where we have got substantial increase in terms of debtors all the way about 177 Crores, so if you can just further elaborate on what led to this and how do we see this going forward?
- Mithun Chand:** Most of the debtors are the cotton debtors and that too from Andhra because in state like Telangana more particular to districts like Nalgonda, Mahboobnagar and some districts like Adilabad. We see some sort of a delayed payment with the dealers because they were not able to collect the money from the farmers initially. So usually some portion will be there in those areas, but last year there was heavy balances as you are aware that most of the produce was not sold at any particular time and even the produce whichever they are sold usually most of the cotton is purchased by Cotton Corporation of India even they have delayed the payment. So that is the reason there was a delay in the payment, but we do not see that as a bad debt, because most of that can be recovered. Woolen is already getting recovered. If you see the last two months close to 50 Crores of money we have already recovered.
- Atul Mehra:** How much have you recovered?
- Mithun Chand:** 50 Crores and out of that remaining 100 Crores if you take out 50 from 150 Crores out of those 100 Crores the balance 100 Crores close to 30-odd Crores should come from the government bodies which is for sure we will get it. Some payments are within 90 days payment. So we do not see that as a threat, but compared to previous years it looks much higher because most of the business what we have done last year was for advances and most of the cotton payments were recovered before advance.
- Atul Mehra:** Do you see any kind of risk of bad debt on the amount?
- Mithun Chand:** We do not see much and even the debtor is spread over 100 subdealers not concentrated on one particular part, we do not see that sort of a stress. If we see it historically also we do not have much as a percentage of bad debts and we do not see that that going forward also.
- Atul Mehra:** Secondly in terms of as we head into FY 2016 and into the season Q1 so what is the kind of in terms of growth we could expect for us in terms of cotton?
- Mithun Chand:** Cotton we are anticipating around 9 to 5 lakhs packets next year compared to 85 last year, 95 to 97 lakh packets that we are targeting this year, but other crops like maize,



*Kaveri Seeds Limited
May 26, 2015*

rice and these two crops including bajra, we are targeting more than 20% growth in those crops.

Atul Mehra: Within cotton do you expect in terms of the southern region to be the actual growth driver given your view that even the northern region may not do well in terms of acreages? So the growth will be completely led by south?

Mithun Chand: Yes basically states like Andhra, Maharashtra and Karnataka and even to some extent Gujarat is also contributing but as a percentage it will not take much, but as a whole Gujarat as a company what we have done compared to last year to this year Gujarat should fairly grow by more than 35% to 40%, but as a whole major in terms of the volume, what we are talking about 10 to 12 lakhs packets etc., that should come basically from Maharashtra and Karnataka and a part from Andhra.

Atul Mehra: This will be largely led by market share gain?

Mithun Chand: We do not see much of an increase in acreage. It should be a market share gain.

Atul Mehra: If you could briefly talk about new products that you would have launched in terms of entering into this new season. I believe last quarter we were talking about HDP plant in terms of HDP oriented seeds come into the market and so what is the kind of progress on that and any new products that we have launched during the quarter?

Mithun Chand: Last year we had tested two products. I mean to say pre-launch you can say, and we named those two products at Three-by-One and Super-Duper. Basically Three-by-One is we are promoting for high density per planting. Usually cotton farmer sows at a gap of 3 feet by 2 feet. Now we are recommending by 3 feet by one feet and this is doing very well in Maharashtra especially in Maharashtra they have got a very good feedback for that that we will be selling this year. The other product is the Super-Duper, which is also suitable for Maharashtra and Andhra, more preferably we are marketing those two hybrids, Three-by-One and Super-Duper in Maharashtra even these two hybrids are tolerant to second pest. So which is the major pest that is there in Maharashtra. So we see going forward these two products contributing to the majority of those combined with ATM.

Atul Mehra: These two would be HDP varieties?



*Kaveri Seeds Limited
May 26, 2015*

- Mithun Chand:** Yes. Two are HDP but to be more specific Three-by-One is what we are promoting for our HDP compared to ATM even that is better in terms of compared to ATM Super-Duper we are also recommending slightly higher than those but Three-by-One is the one which are specific market growers.
- Atul Mehra:** This will not be applicable in AP, is it? This will be largely suited for?
- Mithun Chand:** Even we will be selling in AP in a small pocket, but most of the concentration or that growth will come from Maharashtra for these products. As we have tested and it has given a very good result in those areas and farmers are already asking for those products in areas where there is ultimate demand.
- Atul Mehra:** I will just come back to the queue. Thanks.
- Moderator:** Thank you. The next question is from the line of Mitul Mehta from Lucky Investments. Please go ahead.
- Mitul Mehta:** Good evening Sir. During the year FY we spent about 65 to 70 Crores on capex. Can you just help us to understand where did we spend this money?
- Mithun Chand:** Basically it should be around 50-odd Crores, and if you see the last quarter the depreciation is also higher when compared to the previous quarters. Basically most of the investments what we have done earlier, it has come into operation this quarter and as you know this is the main quarter where we process the seeds and most of our investment has gone into constructing warehouses and processing plants because we see a huge growth for crops like paddy which are high volume so we have invested in those.
- Mitul Mehta:** Sir, you did mention that you have introduced two products for cotton in the market, all are high density, now these two products would get better price compared to your other products?
- Mithun Chand:** As the price are regulated at 930 we do not see much of a price and in terms of the volumes these are very low when compared to volumes like Jaddu or ATM. So that will not impact anything this year. Going forward we need to see the pricing and see but more or less the average realization should be in and around 800 to 810 because even we need to take care of the channel. So we do not see much of an increase in the realizations, but we see a market share gaining in those areas because as we know that



Kaveri Seeds Limited
May 26, 2015

Maharashtra is a big market for cotton and we only have 8% market share in that. So these are the products, which will actually help us to increase in those areas.

Mitul Mehta: In terms of volumes can you help us to get the numbers on rice and maize for the current year?

Mithun Chand: We are anticipating 20% growth compared to last year hybrid rice we have done around 1500 metric tonnes, close to 1500 metric tonnes and in terms of maize we have done close to 1100 metric tonnes, 10800 metric tonnes. So, in these two segments we are saying that we can go up to close to 20%.

Mitul Mehta: Current year capex?

Mithun Chand: Capex again is close to 50 Crores is what we do, but even that looks at the higher end because most of that is already spent this year. We do not see much of it, but that should be at a higher end if we do some additions.

Mitul Mehta: Sir, I actually missed out. You said that you received 50 Crores. When did you receive this money?

Mithun Chand: The debtor what we are talking as on March 31. In the last two months compared from April 1 till date we are pretty close to 50 Crores.

Mitul Mehta: So during the course of the year you think this should get normalized?

Mithun Chand: Within a span of one to two months most of the money should be recovered before the start of the season as we are already getting most of it because if they do not clear the account we do not supply the seed, so in that case they will definitely do it.

Mitul Mehta: Any new products in rice and maize?

Mithun Chand: We are going to introduce many products in rice and maize but as a portfolio is very high it will be difficult to give all the names but close to seven hybrids we are marketing this year.

Mitul Mehta: My last question is any competition that you are seeing currently in Andhra.

Mithun Chand: We do not. The season is already over, because we get the first sense by December or January that I have already explained in the last conference call. As of now we do not



Kaveri Seeds Limited
May 26, 2015

see any threat in areas particularly it is Andhra and Karnataka where we have high market share and even we see that there is increased demand in that but we need to see that we have got already high market share so that we are not anticipating market share gains.

Mitul Mehta: We would have already placed the seeds by now?

Mithun Chand: Some quantities we have placed it, but as most of the seeds will be placed in the month of June 1 and 2. So we are very comfortable of closing this year at 95 lakhs packets. It should not be a problem.

Mitul Mehta: In and around 95 lakhs is what you are targeting.

Mithun Chand: Yes.

Mitul Mehta: Great. Thank you Sir.

Moderator: Thank you. The next question is from the line of Shaurin Shah from Enam Holdings. Please go ahead.

Shaurin Shah: Sir, a question on the recent news in the Maharashtra government where they are saying they want the seed companies to cut the prices for cotton, so I just wanted to understand what is your sense of the regulatory environment in Maharashtra and how do you plan to deal with this considering Maharashtra is an important market for us?

Mithun Chand: Maharashtra is the biggest market for cottonseed market, but there was no formal communication to the seed companies as such. We all have discussed with the Maharashtra government saying that in fact we need to increase the seed prices rather than cutting it because the production cost has gone up year-on-year and the price are stable for the last five and even 930 is not feasible for the seed companies, but more specific to that order I do not think it can be implemented this year because most of the seed is already placed in the market. So it takes a long time to pack. Usually we start two months before.

Shaurin Shah: In terms of the government recommendation was to reduce the MRP?

Mithun Chand: That is what they said in the papers, but we have not got any formal communication from the government till date and even the Seed Association is also negotiating with



Kaveri Seeds Limited
May 26, 2015

the government and they are in touch with them and there was no such formal communication for us.

Shaurin Shah: If I recollect the news article, they said if the seed companies do not use, Mr. Eknath Khadse, the minister has suggested that we can take unilateral action against the seed companies?

Mithun Chand: That needs to come with an order.

Shaurin Shah: Sir what is the environment like on the same topic with other states like Telangana and Andhra Pradesh also I believe had some actions related to seed pricing, so if you can give us a perspective of what is happening at the national level how are states considering we want to appease to the farmers probably they might put pressure on the seed companies to cut prices, so how does one deal with this?

Mithun Chand: Basically if it is the scenario with Andhra and Telangana government they have said that as you all are all approaching for this government because most of our production area comes from in Telangana and parts of that cotton production in Andhra and the cotton farmers are producing farmers are demanding more money because it is not feasible for them and we are not increasing the prices saying that our market has cap. So that is what even the farming community and the seed companies have represented to the government saying that they need to revive the price, they need to increase by at least Rs.130 to Rs.150 what they have recommended for the government, but you are aware that this year was very difficult year for the farmer and we have heard most of the farmers suicide because they were not able to produce anything and he was not able to encash it, so the government has said that we will stick the prices as 930 only but we will reduce the royalty prices from earlier we used to pay Rs.185 inclusive of taxes. So they have reduced the royalty prices to Rs.50 inclusive of taxes comes to Rs.60. So that they have recommended and in fact issued a GO Telangana government has issued a GO but recently two days or three days back Monsanto has got an interim stay on it. So here what I am trying to say is that there is no question of reducing the prices in the states of Andhra or Telangana that is only a scope of increasing it, but whereas Maharashtra they said that 830 but it all the states should go hand in hand otherwise the seed will go to the places where the MRPs are higher. So I do not think one government will take any necessary actions on it.

Shaurin Shah: Thank you very much.



*Kaveri Seeds Limited
May 26, 2015*

- Moderator:** Thank you. The next question is from the line of Balwinder Singh from B&K Securities India Private Limited. Please go ahead.
- Balwinder Singh:** Hi Mithun. Thanks for taking my question. On this cotton acreages side, you said that you do not expect a steep decline may be a single digit decline or stable cotton acreages in FY 2016. What gives you the confidence for that and on the maize side also you talked off 20% increase in volumes. So that means maize acreages are also going to be higher. So, as far as I understand farmers generally shift from cotton to may be soybean or maize. So both increasing at the same time is like kind of difficult. So, if you can explain the whole scenario?
- Mithun Chand:** One thing, if you see especially and particularly cotton there is a decrease in the acreage in Northern India and we do not see that sort of a decline. In fact some areas like Karnataka, which can increase in the cotton acreage so it should be hardly 2% to 3% as an overall at the most the market can come down, but when you talk about the crops like maize and rice, maize was down by close to 15% last year and this year usually what you said is the rotation will be in terms of maize, cotton and soya. These are the three crops usually they rotate on and there are other crops like pulses also, but in areas where the ground water is low even the paddy fields may convert into maize and some crops like pulses and maize may interchange. So we do not see much of a threat in the maize acreages. If you see the last year the Rabi was a very bad year for maize. So we think Maharashtra and Bihar, the Rabi acreages may come up again and overall this year we see an increase in the maize acreages and the other thing is that we are very strong in the areas where we operate even at these stages we think that we can grow comfortably in those areas where we operate.
- Balwinder Singh:** So maize acreages should increase by 10% to 12% this year?
- Mithun Chand:** I think at an overall acreage, it should be between 8% and 10% compared to last year, compared to Kharif and Rabi.
- Balwinder Singh:** Going forward on the depreciation side if you see what is going to be your annual run rate consolidated basis?
- Mithun Chand:** It should be more or less same like last year. So last quarter has been higher but if you take the overall depreciation for the year was close to 15-odd Crores, last year it was 16 Crores it should be in and around the same 15 to 16 Crores.



*Kaveri Seeds Limited
May 26, 2015*

- Balwinder Singh:** Last couple of questions on this advances if you can just break it up from of that 225 Crores that you have raised?
- Mithun Chand:** Basically most of the advances are from cotton. Close to 175 to 180 Crores are from cotton. I do not have that figure as of now, but it is close to 180 Crores and rest of cotton it is close to 40% to 45%.
- Balwinder Singh:** Sir, what I meant is geography wise in within cotton?
- Mithun Chand:** Most of the advances we get from states like Andhra, Karnataka and Maharashtra and majority of the advances are from Andhra and non-cotton crops we get from northern India.
- Balwinder Singh:** Last you were talking of 95 lakhs package this year in FY 2016, so that will kind of take your market share close to around 21% kind of so at what level do you think, I mean, it will be difficult to increase the market share further, so maybe once you reach 23% or 25% what is your thinking. At what levels that kind of growth will stagnate or market share improvement will stagnate?
- Mithun Chand:** Basically we think that this year the market can be in and around 5 Crores packet market, out of which we will be able to do around 95, so it is less than 20% or 19% odd market share, we will be around 19% to 20% but going forward we are targeting around 25% market share, but the other thing is that we need to see that even the cotton market is growing because the penetration is going up, the planned density is going up, so year-on-year if you see there is an increase of 5% in the seed rate. If you see last year the seed rate was in and around 1.6 packets per acre, but this year it was 1.7 packets per acre. If you see in the last seven years historically, year-on-year at an average there was 5% growth some year higher and some years lower, but average it was around 5% growth and we see that trend going up till 2.2 packets to 2.3 packets per market at least after that we are introducing mechanical harvesting which will come in 2018-2019 so we see a huge growth in cotton acreages and in and around 25% to 26% market share is reasonably good for the next three to four years.
- Balwinder Singh:** Thanks. I am done.
- Moderator:** Thank you. The next question is from the line of Mukesh Saraf from Spark Capital. Please go ahead.



*Kaveri Seeds Limited
May 26, 2015*

- Mukesh Saraf:** Good evening. Thank you for taking my question. Sir, firstly is on the advances like your advances are more or less flat YOY how would it be for the industry because you had mentioned industry was down about 40% as of say December?
- Mithun Chand:** I do not think exactly 40% but they are considerably down more than 25%.
- Mukesh Saraf:** More than 25%?
- Mithun Chand:** Yes.
- Mukesh Saraf:** When I look at billing, last year overall on an average you would have recorded your cotton billings at about 890 that is netting off say Rs.40-odd discount and then your other expenses would be having about Rs.100 dealer incentives. So how would it be this year? Do you see any material shift from that?
- Mithun Chand:** No, as of now we are billing at 890 only, but again we will take a view with the auditors because whatever discount we are giving to the dealer that we want to take out from our expenses as such, but again that after working with the auditors once we are done we will let you know. Other companies we are paying at 890 only.
- Mukesh Saraf:** But 890 billing is only for AP and for the Maharashtra region, non-AP you are still recording it in other expenses even the discounts?
- Mithun Chand:** Yes.
- Mukesh Saraf:** So, non-AP your revenue still has Rs.930?
- Mithun Chand:** Yes.
- Mukesh Saraf:** My third question is generally on the industry structure we always know that there are more than 35-odd players in this cotton industry with the top four five players being obviously very high. So are you seeing any change in this structure? Have you seen some of these small players shutdown because inventory in the system is still quite high 6.5-odd Crores package maybe slightly higher than that also, so there would be a lot of people bleeding, so a lot of these smaller cotton seed companies bleeding so how do you see that pan out?
- Mithun Chand:** Last year it was a very good year for cotton, so last year there was a very few companies, I do not see much of the cotton companies which have done bad last year.



Kaveri Seeds Limited
May 26, 2015

So, this year we need to see, but if you see as a trend more or less any bad year it is taking out few players from the market. So it is getting more consolidated.

Mukesh Saraf: That is what I was trying to look into how?

Mithun Chand: For example if you see last year maize, some companies who were dealing with maize have taken a hit. So, year-on-year there are some players going out, but to be more specific about 2014-2015 I do not see much of smaller cotton companies going out of the industry because they have done reasonably good sales and going forward we will see a lot of consolidation happening in that industry but no doubt by seeing the size of the country and many players so the 5% to 10% of the market we still believe that we will be model players.

Mukesh Saraf: So that will stay? You do not see that moving into the organized or bigger players?

Mithun Chand: Not much.

Mukesh Saraf: My last question on the pricing, you did mention about 70%-odd probability that you will see some price hikes this year, on the non-RRF side, so how do you see that now?

Mukesh Saraf: And my last question on the pricing, you did mention that about 70 odd percent probability that you will see some price hike this year something on RRF size, so how do you see that now?

Mithun Chand: As of now it is zero chances because you have already dispatched the stock and even there is an increase it may not be passed on it on to the farmers because it will.

Mukesh Saraf: That will not affect this year?

Mithun Chand: No, but if you see the current condition of the government thinking, basically they do not want to touch the farming community at the same time, they admit that it has been not revised for the last five years, but by seeing the farmer's condition they are forced to not touch it. So we do not see any chance, but initially it was there in the month of December January, it was much there but after that also we have seen unseasonal rains, but helping the farmer, so this year it will not be there, but the only thing what we are trying to do is that the government is forcing the royalty, which is in turn a benefit for the company, but Monsanto will definitely contest for it and they have already contested and they have got orders also.

- Mukesh Saraf:** But next year, how do you see this pricing thing Sir?
- Mithun Chand:** Again government is taking up that issue again now. Even the government was to contest against it because if that is the case the seed companies will not be able to produce properly and there will be shortage in the Indian seed market. So they need to either cut down the royalty which looks feasible, the other thing is that they are yet to increase the prices, because now there is a fair point for us that the government has already admitted our case, that is the reason they have decreased the royalty, but if does not happen, next year they will increase it, so it is positive sign when compared to the previous year, but again it is not a political issue, we cannot say that authorities will have, definitely it will have.
- Mukesh Saraf:** One last question is have your production cost gone up Sir with regards to per packet with your contract farmers?
- Mithun Chand:** No, not much, but for the next year it has gone up so that will impact next year, not this year.
- Mukesh Saraf:** It will impact. Thanks a lot. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Abhijeet Akela from IIFL. Please go ahead.
- Abhijeet Akela:** Thanks a lot for taking my question. First of all just on cotton seed just to clarify you had mentioned 95-97 lakh packets, which is around 12%-14% growth and if I heard you correctly you are saying that the net realisation can go up from say 785-790 to around 800-810, is that what you are saying?
- Mithun Chand:** Last year, we had realisation close to 790-800. I meant to say that this year we are trying to realise around Rs.820-830 because we will see how it works out, about Rs.800 is what we have planned is the minimum one. As a long run with the current MRP at Rs.930 should be between 800 and 810 for the new product that is what I mean to say. What I am saying is that average realisation for cotton packet the long run should be in between 800 and 810 based on the seasonality it may be high or low by Rs.10 or Rs.20, demand and supply.
- Abhijeet Akela:** This year there could be a bit of tightness in supply?
- Mithun Chand:** Yes.



Kaveri Seeds Limited
May 26, 2015

- Abhijeet Akela:** Also just to check the initial packet sales that we have done so far in the season, what seems to be the pricing in the market I mean how much is the farmer?
- Mithun Chand:** It is too early. We have not placed much of a seed and whatever price we get as of now, we cannot take it for the season because the purchases will be hardly 2%-5% on the total sales. After one week we get to know once the monsoon is in and around then we can share, once we get the formal monsoon hitting then we can see the actual prices, but for sure we can say that it is better than last year.
- Abhijeet Akela:** What would be the availability of ATM this year as against the volumes, last year we did I guess 18 lakh packets of ATM, this year how much availability do we have?
- Mithun Chand:** That we are seeing regarding ATM and Jaadoo we are still close to 73 lakh packets last year. ATM and Jaadoo both together, this year we have a stock close to around 84-85 lakh packets.
- Abhijeet Akela:** Secondly, I noticed on the exchange you have just announced the appointment of a new COO, so if you could just talk a little about what is the reason behind that?
- Mithun Chand:** Nothing. As we said, we want to expand to other countries. We are looking for a good talent and we have found him and he has a very good vast experience in the industry. Last job was he has done, he was based out of Singapore for BISS. He was looking after the Asia Pacific and earlier that he has worked in companies like Ford and Monsanto, so he has got a very good experience in seed and he has got very good exposure in the Asian countries also and he has also got some knowledge about Africa also so we wanted to expand in those countries basically and for that reason we are hiring people and he is one of them.
- Abhijeet Akela:** Okay. His role would be namely overseas related, it is not related to the company?
- Mithun Chand:** Even the operations of the state, in the country also, country and overseas.
- Abhijeet Akela:** Just to clarify some of the numbers you gave earlier in the call, you mentioned that out of this quarter sales more than 40% was linseed, 14 Crores of hybrid seeds sales?
- Mithun Chand:** Yes, 14-15 Crores were hybrid and other was linseed.
- Moderator:** Thank you Sir. We move on to the next question that is from the line of Chetan Thakkar from Emkay Global. Please go ahead.



Kaveri Seeds Limited
May 26, 2015

- Chetan Thakkar:** Good evening Sir. Just a question on the Maharashtra market, if you can share the size of the market and what would be the market share of the larger two players in the market?
- Mithun Chand:** Last year, the Maharashtra market was close to 1.7 Crores packet market, out of which Ajeet Seeds is close to 40 lakh packets 40-42 lakh packets close to and Nuziveedu can be in between 30-32 lakh packets. These are the two big players there.
- Chetan Thakkar:** We would be currently fourth or fifth?
- Mithun Chand:** We have done around 13.5-14 lakh packets.
- Chetan Thakkar:** Okay, sure. On maize, I just missed the number. What was the number for the year for us in volumes and the industry as a whole?
- Mithun Chand:** Industry as a whole last year it was around I mean to say 2014-2015 was in and around 85-87 for maize and we have done close to 10800 tonnes.
- Chetan Thakkar:** How much would have if you a sense on the larger players be it Pioneer and Monsanto, how have their sales been in volume terms, Sir?
- Mithun Chand:** I just need to confirm because we do not get their, I think Dupont has done close to 20 odd percent, but I am not sure about it, it should have done in and around 17.5-18,000 tonne and Monsanto has done 16,000 tonnes.
- Chetan Thakkar:** For us the larger market would be for maize?
- Mithun Chand:** Andhra and Karnataka.
- Chetan Thakkar:** There hybridization would have already reached how much, Sir?
- Mithun Chand:** In states like Andhra, Karnataka and Maharashtra, hybridization is 100%.
- Chetan Thakkar:** This 20% volume growth that we were discussing which are the states that you are focusing on to drive the growth?
- Mithun Chand:** We are focusing on all states, but more focusing in Central and Northern India, but we see a decent growth in Karnataka and Andhra also.
- Chetan Thakkar:** That is it from my side. Thank you.



*Kaveri Seeds Limited
May 26, 2015*

- Moderator:** Thank you. The next question is from the line of Kuntal Shah from Axis Holdings. Please go ahead.
- Kuntal Shah:** Hi. Good afternoon. I noticed you have hiked the dividend and the annual pay out now stands at around 50 Crores on a steady state earning of around 300 Crores and a market cap of 5800 Crores on a given high ROCE, do you have any plans to buyback your shares considering the opportunities you get time-to-time?
- Mithun Chand:** Yes, definitely. As of now, we have not made any dividend policy as such, but we may come with some sort of a policy in the first quarter because first quarter being the main quarter. As of now, as I said earlier in the con call, we said that close to 20% of our net profit should be seen as dividend, and we have already given the 20%. Going forward, we want to hike the dividend percentage as such. As rightly you have said that, it may be in the form of dividend and buyback, both we want to work order but again they are subject to their discussion and board approval but as a management, our thought is to give most of the cash to the investors in terms of the buyback or in terms of the dividend.
- Kuntal Shah:** See, the reason this question is there is because your discounting in market is very poor relative to your ROCEs, so either you will sustain your ROCE or you can make an opportunistic purchase on behalf of company and utilize the cash in much more shareholder friendly manner by doing buyback provided the prices are considered?
- Mithun Chand:** Yes that is a good suggestion. Definitely we will take that into account and then discuss it.
- Kuntal Shah:** Mithun there was a tax of 2.5 Crores in this quarter, can you just throw some light on that?
- Mithun Chand:** Because as compared to previous quarter this quarter we have seen an increase in the taxes. Because there was some sort of arrears that was raised by the Income Tax authorities this quarter, so we paid it. For our company financial year 2012-2013 assessment is also done. For that reason, there was higher slightly increased of Rs.1 Crores of tax which they have imposed on us, so that is the reason for slight increase.
- Kuntal Shah:** I believe there is a case going on in the high court regarding the powers of the state to freeze the price for the seed, it has been challenged. Can you just throw some light on that?



*Kaveri Seeds Limited
May 26, 2015*

- Mithun Chand:** Yes we have already filed that the government should not intervene into the pricing of the seed market, because every hybrid will give different productivity at the production levels and there are some hybrids which the companies incur higher cost at the production level, but at the farmer's level, it will give a more reading. So, we are not having that hope to pass it onto the farmer and that is the reason we are not producing it and the other reason is that even though the MRP is Rs.930. There are many companies in between Rs.500 to Rs.930 they sell it. So farmer is choosing the hybrids based on the productivity and the advantages what he gets, so that we are trying to explain to the government and when they have received it, they have filed the case that is best going in the high court. The other thing, the other part what we have discussed between the royalty, even though the Monsanto has got the interim orders entering stay on that, but if the government can control the seed prices, every component they can control. So, there are two different cases going on that we need to see any both of them are any positive both of them are positive.
- Kuntal Shah:** Thanks.
- Moderator:** Thank you. The next question is from the line of Amit Vora from PCS Securities. Please go ahead.
- Amit Vora:** Good afternoon. Thanks for taking my question Mithun. One question, the advances that you have received Rs.225 Crores how much of that would be as a breakup from non-AP states?
- Mithun Chand:** AP is close to I do not have the exact breakup, but AP is close to Rs.110 Crores and the rest is from different states and the other states are like Karnataka, which is close to Rs.30 Crores, Maharashtra is close to Rs.120 Crores.
- Amit Vora:** Is there the right thing to assume that the advances from non-AP states have increased?
- Mithun Chand:** It has been flat, even in Karnataka we are down.
- Amit Vora:** Major improvement in advances is from which state?
- Mithun Chand:** In fact we are down in advances compared to previous year. There is sort of an improvement in advance in terms of Maharashtra partly from Andhra.
- Amit Vora:** Andhra is undivided Telangana and AP included right?



*Kaveri Seeds Limited
May 26, 2015*

- Mithun Chand:** I am talking about Andhra undivided Telangana and Andhra.
- Mithun Chand:** If you divide the states Telangana we have got lower advance.
- Amit Vora:** Any number to that?
- Mithun Chand:** I do not have the exact number, but most of the areas like districts like in and surrounding of Hyderabad like what I mentioned, Mahboobnagar and Nalgonda, they have not collected much advance because there is a lot of payment left already in these areas.
- Amit Vora:** Is this again the same strategy that you had last year because of the demand of the seed being there?
- Mithun Chand:** Last year we have extended some credit. This year we do not even want to extend the credit, because seeing the demand and supply. Most of the thing we wanted to do it in cash and carry.
- Amit Vora:** So that can add a bit to the margins?
- Mithun Chand:** We are trying to do it because there is a lot of demand again that is subject to the rate fall and other things, but our intention is to realise more. To what extent is it possible or not, only the season can tell us.
- Amit Vora:** Thanks and all the best.
- Moderator:** Thank you. Next question is from the line of Pankaj Thakur from Future Generali. Please go ahead.
- Alok:** This is Alok here. I just wanted a query on the macroenvironment. There was recent article stating that the cotton exports have actually gone down and I was just looking at the volume figures on the Ministry of Commerce and on YTD there is a separate data that is available. Cotton exports have gone down by nearly 30% and on quantitative terms of 24% and exports to China and also Bangladesh have gone down by nearly 50% or nearly which actually account for nearly 40% to 50% of exports totally in terms of cotton. I just wanted to know would this have impact on your company in terms of acreage and would it be a right matrix to see?



*Kaveri Seeds Limited
May 26, 2015*

- Mithun Chand:** We are discussing in a call, we do not see much of a stress in cotton acreages because an Indian farmer does not have much of an alternate crop. So, I do not see much of a stress, but if you see the cotton prices, I mean to say the commercial prices what the farmer sells, it has gone up from Rs.3800 to Rs.4500 in the last three months and the sentiments for cotton is much better than any other crops as of now, but this year, the exports are down that is the reason the prices were down from close to Rs.4500 to Rs.3600 and again it has improved, but this last year, the export which has already factored in it will not influence much for the next year sale, but as a long-term if you see global view on the cotton acreages, there is a lot of decline in the cotton acreages are likely to be this year especially in states like US and China so this year as internally we think the cotton prices should stabilize this year, because the output was lower last year and the acreages are also likely to be down this year, non-India and Pakistan countries. So that has a long run and also this year we do not see threat and in the long run and also we do not see much trend because those are the cases and definitely the cotton prices will improve and the demand forecast also they have given a higher demand forecast for next year as the economy is picking up that was the recent report because which is published three or four days back.
- Alok:** Any idea on what is the volume quantum that is actually consumed within the country of the entire production that is happened any estimates that you have?
- Mithun Chand:** I have it, but right now do not remember the exact numbers, but majority of that is consumed by Indian mills only close to 70% odd is consumed by Indian output.
- Alok:** Rather than export it right?
- Mithun Chand:** Yes.
- Alok:** Thank you. That is all my questions.
- Moderator:** Thank you. The next question is from the line of Nitin Shah, Individual Investor. Please go ahead.
- Nitin Shah:** Sir, I just wanted to know that in September quarter concall you had mentioned that you were shortlisting a few candidates for foreign country export business basically. What is the progress?
- Mithun Chand:** Can you just repeat the question?



Kaveri Seeds Limited
May 26, 2015

- Nitin Shah:** In the September concall you had mentioned that you were shortlisting a few candidates for exports basically partnering few local candidates in the foreign countries. We just want to know that you have hired COO specifically for the export business. So if you can throw some light on what is the progress on export front and when can expect some material numbers on the export side?
- Mithun Chand:** The person which we have hired is Chief Operating Officer, not specific to the export market, but even overseas the export market, we need to hire people for the export and we have hired in biotechnology and we have hired a marketing head for India, so that we are looking for talent where we can start it. If you recall that call we were saying that target up to June where we can finalize the talent and then we can go forward. So we have already shortlisted some candidates. In the next one or two days they may start operation there, but again subject to approvals and all those things.
- Nitin Shah:** So it is at least one or two years ahead of us right?
- Mithun Chand:** Yes.
- Nitin Shah:** The second question is that with respect to the Rs.300 Crores cash chest, war chest that you were planning to build that money you said you would be specifically using it for strategic partnerships and joint ventures. Sir, if you can throw some light on whether it would be specific to seed business or also may be other agri inputs like crop protection or something that you are targeting to take advantage of synergies or something like that?
- Mithun Chand:** Basically what we are targeting is only pure seed one, as we do not have expertise in other thing and as of now we do not want to venture into those divisions also. So it will be more specific to the seed and the seed related technology.
- Nitin Shah:** That would be more on the biotechnology side like Marker, Selection and something like that. One more think Sir. The initial 5% stake that was sold by promoters for something around Rs.300 Crores, now that you are not venturing into that project as of now, would that cash be used to buyback shares or regain your promoter stake or you are not going to go for that?
- Mithun Chand:** As of now we do not have any idea about that to be more specific in the next one or two months, we may not be doing that.



*Kaveri Seeds Limited
May 26, 2015*

- Nitin Shah:** Thank you so much Sir.
- Mithun Chand:** To answer to the earlier question was that imports are closed to 9 million bales for this year, the exports that are close to 20% to 23%.
- Moderator:** Thank you. The next question is from the line of Abhishek Anand from JM Financial. Please go ahead.
- Abhishek Anand:** Good evening Sir. I just wanted to understand the government order where we have seen deallocations basically the cap on cotton seed prices remains 930, but the royalty has decreased to 550 and procurement cost has increased to 330. How does it impact the company? What exactly is the impact in terms of do we have to bill lower or how does it work?
- Mithun Chand:** Basically, we have requested the government to increase the prices, because of the production cost, we will pay more for the production farmer, and our production cost also goes up. So, at the same time we need to pass it on to the farmer. When they put cap on those things, we will not be able to pass it out that is the reason we may not be able to produce for this quarter, so that what we have explained to government, so they have found out remedy by not increasing the prices, but reducing the royalty price. So that is also contested by Monsanto that the government does not have any rights to reduce the royalty because it is a private agreement. So that need to be solved by the government whether they will increase the prices or they will convince Monsanto. As a company, we made it clear that with these type of scenario, we may not able to produce cotton hybrids that is the case as such.
- Abhishek Anand:** In a hypothetical scenario in this Telangana government actually implements this order. Do we have enough negotiating power to actually make Monsanto or where the pay Monsanto Rs.50 per packet? How are you planning to deal in a scenario where such kind of order is carried out?
- Mithun Chand:** We do not have any touch in with Monsanto and we do not intend to work with Monsanto in this matter. So, we will work with the government and government is the authority whether they will increase the prices or they will convince the Monsanto to reduce rate. So that is vest with the government and I think government also wants to contact this case. So, if they lose the case against Monsanto at least do we have background that because we are not able to decrease the prices increase the prices. So



*Kaveri Seeds Limited
May 26, 2015*

as a company, it has positive thing happening because we cannot trust in these types of scenarios.

Abhishek Anand: Secondly, in case of Maharashtra where government is talking about Rs.830 cap, reduction on cap. What exactly do the look at since we are billing in Andhra at Rs.890?

Mithun Chand: Actually MRP is Rs.930. It is not about a little bit price.

Abhishek Anand: It is going to be MRP.

Mithun Chand: They are talking about as a MRP. They want to decrease the MRP to Rs.830.

Abhishek Anand: Finally in terms of branded seed inventory in the system in the last concall you mentioned that there is a shortage of branded seed inventory in the system. Is that how it continues after three months or you are seeing some change in trends there?

Mithun Chand: Still we have seen the decrease in the inventory in a branded seeds from that level because most the inventory which what was again not suitable because of some germination issues compared to last year, this year the inventory of the branded seed is lower.

Abhishek Anand: We see that enough headroom is there for us to keep on billing at Rs.890 at least in Andhra Pradesh and Telangana?

Mithun Chand: But at the end of the day it is only matter we bill at Rs.890 or Rs.930, but the net realization for per packet of sale, but in terms of the ratio it differs based on your billing.

Abhishek Anand: Thank you so much.

Moderator: Thank you. The next question is from the line of Veena Patel from I-Wealth Management. Please go ahead.

Veena Patel: Thank you. My questions have already been answered.

Moderator: Thank you. The next question is from the line of Dheeresh Pathak from Goldman Sachs. Please go ahead.



Kaveri Seeds Limited
May 26, 2015

- Dheeresh Pathak:** Thank you for the opportunity. Mithun, the royalty to Monsanto is paid out by us in which month? Is it spread on or is it paid in advance or paid after the season?
- Mithun Chand:** It is spread on. Basically we pay in a month of August, September and every month we pay up to December payment, but majority of the payment what we do in Kharif will be paid in the next 45 days. So, basically it is after sale.
- Dheeresh Pathak:** Let us say last year you sold 85-lakh package and 85 into whatever Rs.180 whatever is the royalty a large portion of that would have been paid in the month of August?
- Mithun Chand:** For the entire 85 lakhs more than 70 lakh package were sold in the first quarter, majority of the payment started from the month of August.
- Dheeresh Pathak:** But you still have money to be collected right, so you have receivables days and stuff like that?
- Mithun Chand:** They do, but Monsanto does not mind all those things.
- Dheeresh Pathak:** The interest on the dealer advances is booked in other expenses?
- Mithun Chand:** The discount what we give to the dealers on the advances that is all booked in other expenses because we do not give interest to them, they give discount to them that is the reason why we are booking the other income. That will come in the schemes and discounts in the main balance sheet.
- Dheeresh Pathak:** It will be directly a function of the advance paid right? Will be sort of interest right?
- Mithun Chand:** Interest or something it is related to the quantity sold everything investment, quantity sold and quantity booked.
- Dheeresh Pathak:** Let us say for example, for Rs.930 of MRP dealer is buying at Rs.800 from you then for one packet how much advances to be given 25%?
- Mithun Chand:** Usually we collect Rs.200 to Rs.300 per packet in advance per brand. For example, for ATM we have selected Rs.300 per packet.
- Dheeresh Pathak:** For a dealer, who is given Rs.300 of advance, how much discount will you get?



*Kaveri Seeds Limited
May 26, 2015*

- Mithun Chand:** It depends, if we pay Rs.300 in advance that is one packet he has booked it and if we sell one packet on investment he gets around 10% to 12%, we divide that one, 10% to 12% on investment and Rs.5 or Rs.10 per booking and Rs.10 or Rs.20 for sale. So, altogether he gets some Rs.70 to Rs.80.
- Dheeresh Pathak:** The person who was not given this advance will not get this Rs.70 to Rs.80 right?
- Mithun Chand:** Will not get this advance booking incentive and the quantity book, they will get only on the quantity sold.
- Dheeresh Pathak:** Which is like Rs.130 per packet?
- Mithun Chand:** Sorry.
- Dheeresh Pathak:** With the dealer commission is Rs.130 per packet right?
- Mithun Chand:** If a dealer sells a packet, he gets close to Rs.20 to Rs.30 a packet. That is what we give. If the dealer does not pay advance and he pays cash after selling it or when he buys against cash, he gets other 5% to 7% at discount on the amount paid that is called the **(indiscernible) 58.35** advance booking incentive, booking incentive, sold quantity incentive, cash discounts and some cases we give special scheme for special products. So these are all combined that all come in other expenses and once you see the balance sheet, it will be part of the sale promotion, part of the schemes or discount.
- Dheeresh Pathak:** Thanks Mithun.
- Moderator:** Thank you. The next question is from the line of Gauri Anand from Phillip Capital India Private Limited. Please go ahead.
- Gauri Anand:** Thanks for taking my question. Sir just to reconfirm you said that realizations next year will improve about Rs.10 to Rs.20 per packet?
- Mithun Chand:** We are trying to do improve the realization as we said that we are in a tight situation compared to demand in supply, so we are trying to increase the realizations.
- Gauri Anand:** Did you also say that your production cost have jumped up?
- Mithun Chand:** No, not for this year, for the next year it will jump.



*Kaveri Seeds Limited
May 26, 2015*

- Gauri Anand:** Next year, it will go up that is FY2017?
- Mithun Chand:** Yes, for FY2016-17 we need to give production now for that the production process...
- Gauri Anand:** Understood. Sir, just to reconfirm what will be your annual cotton revenues, cotton, maize and rice revenues and Microtek?
- Mithun Chand:** For 2016?
- Gauri Anand:** For the full year FY2015?
- Mithun Chand:** FY2015, the cotton is around Rs.761 Crores, maize is around Rs.160 to Rs.163 Crores and what do you want?
- Gauri Anand:** Rice and Microtek?
- Mithun Chand:** Microtek is around for the entire year is Rs.26.5 Crores.
- Gauri Anand:** For the quarter, you said Rs.10 Crores in Microtek.
- Mithun Chand:** Yes, for the entire is Rs.26 Crores.
- Gauri Anand:** Rice?
- Mithun Chand:** Rice is Rs.69 Crores.
- Gauri Anand:** Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Rohan Gupta from Emkay Global. Please go ahead.
- Rohan Gupta:** Good evening. On this other expenses this year, it has almost been a stable in compared to last year. Given that royalty for the current year, it would have gone up on a higher packet. The other expenses for FY2015 has almost remained stable compared to last year and you have increased the sales volume in the quarter, so you would have paid higher royalty, assuming it means that you are selling your distribution expenses would have come down compared to last year. So, this is mainly because we have given less discounts to the dealer or why this is selling and administration expenses would have come down?



Kaveri Seeds Limited
May 26, 2015

- Mithun Chand:** Basically, if you see the other expenses it was around 38% last year and this year it was close to 32% and overall in a year end.
- Rohan Gupta:** If we do some more in specifically like the consolidated expenses is roughly Rs.382 Crores versus last year Rs.386 Crores?
- Mithun Chand:** I am talking about standalone not the consolidated one. In the standalone the other expenses are around Rs.354 Crores for this year versus Rs.380 last year, so as a percentage it is around 32% compared to 38% last year, but we have reduced the billing earlier we used to bill at Rs.930, now we have billed at only Rs.890, straightaway there is a 5% reduction in terms of the other expenses. It is not the concept that we have realized more, but it is not that we are realised more from the dealer, but in fact that we have billed lower for the dealer.
- Rohan Gupta:** So billing lower for the dealer is directly function from net sales right?
- Mithun Chand:** Yes, instead of we giving Rs.100 discount. For example, this year we have realised around Rs.800. Last year also same thing, last year also as an assumption rather cotton packet in both the years we have realised Rs.800. In the financial year 2013-2014, we have given a discount of Rs.130. This year, we have given a discount of Rs.90, because we have billed at only Rs.890.
- Rohan Gupta:** Second on this paddy market, can you just give some number what was the paddy market size for the current year and what are the some competitors and major competitor's share?
- Mithun Chand:** As an overall market size paddy closed to 38 to 39,000 tonnes.
- Rohan Gupta:** 38,000 tonnes.
- Mithun Chand:** I am talking about hybrid paddy and which has at least 10% growth in hybrid paddy acreage this year.
- Rohan Gupta:** Out of that 38, we did only 1500 tonnes. Can you give some number on the top two, top three players, how they would have done?
- Mithun Chand:** There is a number one which is close to 38%, 40% market share and the other companies are in between 10% and 12% market share like Syngenta Bayer is one



Kaveri Seeds Limited
May 26, 2015

company, Dupont is there, Advanta is there, Metahelix is there, US Agri is there. These are the companies are deal with paddy, but the clear-cut leader in paddy is Bayer.

Rohan Gupta: Sir, almost Rs.20 increase in realisation, which you are talking about, will directly flow at the bottomline because we do not see any increase in cost this year, right?

Mithun Chand: That is what we are anticipating, but again that is subject to how well we can pass it on. That is our intention is, but at the season end we can take into account, but as of now we cannot say that we will increase the realisation. That all depends on the rainfall and other factors. So is also better to take assumption of the last year only at around Rs.800 rather than Rs.820 or Rs.830.

Rohan Gupta: The costs increase, which you have seen in cotton this year, how much is that in terms of per packet?

Mithun Chand: Per packet it should go up by other Rs.15 to Rs.18.

Rohan Gupta: Rs.15 to Rs.18?

Mithun Chand: Higher end of Rs.20 per packet even some there will be some sort of the variation of Rs.10 to 15 based on productivity so it is too early to say about the price, but the initial agreement when we see as a packet it will grow up by around Rs.15 to Rs.20.

Rohan Gupta: Sir, given the government recommendation if the royalties are reduced by Rs.100 per packet, how then it will be divided between company and the farmer?

Mithun Chand: The farmer what they have proposed to is to get Rs.120 reduction. So what we see is that Rs.20 to Rs.25 will go to the farmer. I mean to say the production farmer, and other Rs.20 for the trade channel he will get around Rs.70 to Rs.80 per packet.

Rohan Gupta: From when it was supposed to be implemented? It is applicable for the current year volume itself right? They will increase the royalty only after June or July.

Mithun Chand: The government proposed for this year itself.

Rohan Gupta: So by when because you had to also give the payments to Monsanto from June onwards that is only two months away so by when you expect there will be more clarity from the government in this case?



Kaveri Seeds Limited
May 26, 2015

- Mithun Chand:** That is subject to the government and court decision. We will abide to the government or court. When they have given stay we will pay, if they do not stay we will not pay.
- Rohan Gupta:** But Sir, you also said that the government has actually less to do in this case because there is private arrangement between Monsanto and every company. So it is the choice of the companies rather than government interfering in that?
- Mithun Chand:** It is the government, which is interfering in the MRP, so we have asked the government to increase the MRPs but not to reduce the royalty. Government said that they have control overall the components that is the reason they have increased the production farmer price and that is the reason to decrease the royalty and price. So they said that they have got every right to control everything in the component when they can regulate under Seeds Act, every component can be regulated. That is what the government says.
- Rohan Gupta:** But in this case the arrangement or the agreement between you and Monsanto, right or with every company, am I right Sir? So in case Mahyco, the selling agent of Monsanto, they are free to sell?
- Mithun Chand:** That is what the government says that even though, Monsanto says that is a private agreement. Case stands like this. Monsanto says that it is a private agreement with the company and the Monsanto, Mahyco-Monsanto joint venture, but the government says that when we are controlling the component of MRP that is the price of the end product they say that every component can be controlled in the entire chain. That is the main (indiscernible) 1.08.35.
- Rohan Gupta:** So every company has to abide by that, I mean either they reduce the prices that is what the government is saying?
- Mithun Chand:** Yes. It is subject to the court order, if the court says that in case the government will not be good in reducing the prices of the royalty then we need to pay the royalty. If the government wins the case, then we will not pay royalty.
- Rohan Gupta:** Thanks Sir.
- Moderator:** Thank you. The next question is from the line of Kuntal Shah from Axis Holding. Please go ahead.



*Kaveri Seeds Limited
May 26, 2015*

- Kuntal Shah:** Mithun, when you report your June numbers in August, what will be the royalty you will be putting in your result if this is still regulated?
- Mithun Chand:** Because they have got the stay order, we keep it at Rs.85 inclusive of tax.
- Kuntal Shah:** But then what will be shown as payable to the producing farmers because then you will be squeezed at both the ends, right?
- Mithun Chand:** But producing farmer comes for the next year.
- Kuntal Shah:** It is fine, but your contingent liability towards them we would get what price, higher price or a lower price?
- Mithun Chand:** It is not the liability. What we will take is the production cost.
- Kuntal Shah:** You will be increasing the production cost in the next quarter itself? Technically what I am asking is both things can go adverse that Monsanto wins and you pay 180 royalty plus you will have to pay higher price to the producing governments for the next year?
- Mithun Chand:** Yes, but one thing what we need to say if the government loses the case this year, they might increase the prices because they are the ones who suggested that we are decreasing the prices. They have given fixed orders to the seed companies that they should not pay a single rupee more than Rs.50. So in that way the government will be forced to increase the prices next year if they lose the case.
- Kuntal Shah:** Sir, how would you value the standing crop inventory, because that is what?
- Mithun Chand:** Usually we do not value the standing crop. What we say that whenever we say is the standing crop it is only the advances what we give will be shown as standing crop, but at the end of the year when we get the produce the produce will be priced at the increased price. So in that way in a financial impact, if the prices do not go up for the next year, our profitability will come down.
- Kuntal Shah:** Sir, what you are saying is next year either of the two things will happen, either they reduce their royalty or they increase the price, both do not happen then you will ever see the margin adjusted?
- Mithun Chand:** Yes. That is what if the production cost from this year to next year has gone up by close to Rs.20 a packet.



*Kaveri Seeds Limited
May 26, 2015*

- Kuntal Shah:** No, but in that case, do you think at the systemic level there would be a reduction in production across all the players and only people with inventory will benefit and the others will have to?
- Mithun Chand:** Not for the next year but going forward definitely if they do not increase there will be a reduction in the cotton seed because they did not make profit because most of the companies have already given production in anticipation of the pricing.
- Kuntal Shah:** Thanks. That explains a lot.
- Moderator:** Thank you. The next question is from the line of Atul Mehra from Motilal Oswal. Please go ahead.
- Atul Mehra:** Just one question on the capex. So if you can just elaborate what was the capex applied for FY 2015 and where could we look at capex for the next two years?
- Mithun Chand:** Capex this year was close to 50-odd Crores, 55 Crores, basically for installation of processing plant, the new processing plant we are constructing and for warehouses and cold storage. These were the main capex. Going forward next two years the capex should be in and around 50 Crores, higher end of 50 Crores that too for some machinery and some for maintenance and for something for the biotechnology lab. So these are the three main components for the next few years.
- Atul Mehra:** That is it from my side. Thanks.
- Moderator:** Thank you. As there are no further questions from the participants, I would now like to hand the floor back to Mr. Mithun Chand for his closing comments. Over to you Sir!
- Mithun Chand:** Most of the points, I have covered in the call, but going forward being the season looks as there is a tight supply which is in demand the site situation of demand and supply and the timely monsoon this year good season going forward for cotton and other crops also maize and rice should also do well for this year, but by seeing the farmer condition this year, next year as a whole industry should be better, otherwise the industry will be much in back in terms of the financial sustainable, so hopefully good. Thank you.
- Moderator:** Thank you very much Sir. Ladies and gentlemen, on behalf of Trust Group that concludes this conference call. Thank you for joining us, you may now disconnect your lines.