



“Kaveri Seed Company Limited  
Q4 FY’24 Earnings Conference Call”

May 23, 2024



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

**MODERATOR: MR. RAMA NAIDU – INTELLECT PR**



**Moderator:**

Ladies and gentlemen, good day, and welcome to Kaveri Seed Company's Q4 and FY '24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Please note that this conference call will be recorded. Joining us today on this call is Mr. Mithun Chand, Executive Director.

Before we begin, I would like to mention that some of the statements made in today's call may be forward-looking in nature and may involve risks and uncertainties. For a list of such considerations, please refer to the earnings presentation.

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

**Mithun Chand:**

Thank you. Good evening, and welcome, everyone, to our quarter 4 and FY '24 Earnings Conference Call. We hope you had a chance to review the presentation of our results, which is also available on the website. I will touch upon the operational and financial performance of the company and then open the floor for the question-and-answer session.

Financial highlights for financial year '24. Revenues from operations were at Rs. 80.54 crores as compared to Rs. 60.64 crores in Q4FY23, grown by 32.82%. EBITDA was Rs. 15.5 crores as compared to (Rs. 6.73) crore last year, registered a growth of 3.32 times. Net profit was at Rs. 2.79 crore as compared to a loss of (Rs.13.89) crores, in Q4FY23, grown by 1.2 times.

Cash on the books stands at Rs. 443 crores in FY24 as against Rs. 538 crore in FY23. Revenue from operations were at Rs. 1,062.43 crore as compared to Rs. 1,000.56 crore in FY23, grown by 6.18%. EBITDA was at Rs. 336.63 crore as compared to Rs. 296.94 crore in FY23, grown by 13.37%. Net profit was at Rs. 293 crores as compared to Rs.267.04 crores, registered a growth of 9.72%.

I'll just highlight some of the major highlights. Witnessed an increased trend of vegetable segments doing well on both volume and revenue trend on account of increasing share of new variants launched during the year. The volume increase in vegetable crops have resulted in good realizations. Other segments with cotton, hybrid rice and selection rice realizations were higher due to demand for these seeds segments and price increases.

Our efforts in the last three years in capturing the market shares in above outlined segments is really paying off. To fast-track company's growth in international markets recently incorporated subsidiary in Bangladesh. Exports are showing good traction and expected to be sizable business. In our endeavour to reward our shareholders, the company had done a buyback of 44.83 lakh shares at Rs. 725 per share announcing amounting to Rs. 325 crore.

Some of the operational highlights. Cotton volumes were stable, but revenue increased by 3.37%. Selection rice volumes are stable but revenue increased by 10.43%. Maize revenue increased by 2.79%. The contribution of new products was up from 33.87% to 47.96% of the total volumes in maize crop. Vegetable seed sales volume increased by 19.79% and revenue increased by 23.69% as compared to last year. Vegetable crops like bitter gourd, tomato, okra and watermelon had shown good performance this year. Exports increased by 250% as compared to last year.

Now I would like to open the floor for question-and-answer session.

**Moderator:** Thank you very much. The first question is from the line of Nitin Awasthi from InCred Equities. Please go ahead.

**Nitin Awasthi:** I had a few questions, one regarding the Bangladesh market and remaining related to core products in India. I'll start with the Bangladesh market questions. Sir, I just want to understand that cotton in Bangladesh, the BT, if I'm correct, has been approved. Is that correct? Or is it still at an approval stage?



**Mithun Chand:** I think they are approved, but as far as the license agreement, we can't export to any other country apart from India. We need to sell only in India. So we are not doing any cotton sales in Bangladesh as such.

**Nitin Awasthi:** Okay. There are universities which have tied up with companies and they have developed traits of Bt. Can you do something like that and export to Bangladesh or you have to do that with the university or any organization in Bangladesh?

**Mithun Chand:** So basically, as of now, we are not looking for cotton as such in the present couple of years, but Bangladesh market is growing big. And we were doing a business from India. We are willing to add distributors and they were selling. So we want to pick up our own brand, develop our own brand and research there. So that's the reason we have set up a subsidiary company. So it may take two to three years to get the entire base and first, we will do marketing, then we will start research there.

**Nitin Awasthi:** Okay. Understood. So basically, the business as of now is just export and people can brand in their own brand and sell it in Bangladesh. The move is within two to three years to convert that into your own brand owned products?

**Mithun Chand:** Yes.

**Nitin Awasthi:** Okay. Understood. And cotton market as of now, we are not entering in Bangladesh?

**Mithun Chand:** Yes.

**Nitin Awasthi:** Okay. That is the question for the Bangladesh market. Secondly, on the Indian products, cotton market, this year, I think government has not given a very big hike in the approved increase in sale price, it's about Rs. 10 per packet. However, what I have observed is last year's massive hike of around Rs. 40 per packet was not completely gained by the company. So what are we thinking right now that we will be

able to gain that both of these combined from Rs 810 to Rs.864, if I'm not wrong, where the rates have been changed to, can we still try and get around Rs. 30 or Rs. 25 of this increase?

**Mithun Chand:** We can definitely realize more than last year based on each individual company regarding the realization. But one thing we need to observe this year, the cotton production costs have also gone up. So a significant hike is there in the production costs as compared to previous year, the Rs. 60, Rs. 70 is more than a packet. We incur more than Rs. 60, Rs.70 per packet. But whatever we try to realize from the market, definitely we will realize more than what we had realized last year.

**Nitin Awasthi:** Okay. So basically, yes, there is an opportunity to gain more from the customer; however production cost is strongly be high if you are giving that rate. I don't think so that increases ever happened before in production cost?

**Mithun Chand:** Yes.

**Nitin Awasthi:** Okay. Understood. Sir, secondly, about the second product, which I want to discuss about a little was about maize. There has been massive campaign from the government side and other agencies to start maize farming in a very big way. And for the first time, we have seen prices stabilize much above MSP and stay there for some time, which is giving comfort to farmers to shift all across India to maize. Are we seeing growth in our segment, are we seeing growth in our demand for our maize seed products?

**Mithun Chand:** Definitely. Going forward, maize is a very good crop by even government has initiated ethanol plants. So as of now the estimate is like more than 33% of the total production will be utilized by ethanol when it is fully commissioned.

So definitely, there will be more pressure to produce maize. And as a crop now with the stable prices and these are not above the MSPs so it

is much lucrative for the farmer. So definitely as a long-term crop, not only for this year, definitely the maize acreages will slightly grow up. And the longer term view also maize is a crop, which will definitely gain market growth.

**Nitin Awasthi:** As of today, in the market, what is our market share in the maize seed market? And what would be our ranking?

**Mithun Chand:** As of now in the markets, we are like close to 7% to 8% market share as of now.

**Nitin Awasthi:** Okay. And that would conclude us at which rank?

**Mithun Chand:** We are in the top 5 players.

**Nitin Awasthi:** Top 5. Okay. Understood.

**Moderator:** The next question is from the line of Sanjeev Zarbade from Dreamladder Investment Advisor. Please go ahead.

**Sanjeev Zarbade:** Yes, sir. Congratulations on a good set of numbers. Sir, I just wanted to understand your vision regarding the vegetable business and what kind of market size and the business can command in the medium term?

**Mithun Chand:** Vegetable market is a very interesting market in India. It's growing at much faster than any other crop. Major component in vegetables are chilly, okra, tomatoes and gourds. So these are the crops where we are concentrating much. And in the recent, we have developed good hybrids and even that has given a good performance in the markets. Our production is also stabilizing now in terms of doing that. So we see a very good growth in vegetables going forward. As of now, we are a very small base, but a decent base when compared to vegetable crop, we are to close to that Rs. 55 to Rs. 60 crore mark. Definitely, we see a good growth in vegetable segment, at least 20% growth going forward year-on-year.

- Moderator:** The next question is from the line of Guneet Singh from Counter Cyclical PMS.
- Guneet Singh:** Sir, in the balance sheet, we see that other current liabilities have gone up from around Rs. 400 crore to Rs 510 crore year-on-year. So what I would like to understand how much of this is the advances from customers?
- Mithun Chand:** I just need to check the exact number, it should be close to like Rs. 160 crores to Rs. 180 crores.
- Guneet Singh:** All right. Rs. 160 crores to Rs. 180 crores. And we are two months in to Q1, right, currently, and this is reported for us. So what kind of demand uptake are we looking at currently based on the current scenario?
- Mithun Chand:** We see good demand for across all the crops, but the main constraint is in cotton. We don't have enough production for cotton for this year. That's the only crop where we are seeing a bit of difficulty. Whereas other crops, the demand is also good, and we have enough production for that. So we see good growth coming in other crops leaving cotton.
- Guneet Singh:** All right, sir. So in terms of cotton, I mean do we expect to maintain the volumes of last year? Or do we see a degrowth?
- Mithun Chand:** As of now, we see a slight degrowth in that because we don't have exact inventory. We have done 52 to 53 lakh packets in cotton last year. So we have inventory close to 47 or 49 lakhs. I don't know the exact number, something close to that. So we'll be down by 4% to 5% as compared to previous year.
- Guneet Singh:** All right, sir. And sir, I mean, what would be the main reason for this? We also heard some news of shortage of supply in cotton seeds. So has that impacted the company?
- Mithun Chand:** Yes, it's across the industry, we see a shortage across the industry. It's not only for Kaveri. We had a very bad year in terms of the production.

So entire production got affected, it was India. And there was pests infected and different types of difficulty in producing. That's the reason the production is down and the production cost has also gone up. So these are the two impacts of that. Not only in cotton, in other crops also this immense pressure on the production and most of the industry says that this shortage of most popular hybrids. But in some other crops, we try to manage it, but in cotton, we are not able to do that.

**Guneet Singh:** All right, sir. Would we be able to maintain the EBITDA margins of last year in cotton?

**Mithun Chand:** Slightly down as compared to previous year because as I said that we might realize more in the market as compared to previous year, a couple of rupees having the increase in the price but the production cost has also gone up. So there's a slight impact on the EBITDA margin. But what we see is that, might be compensated with the other crops where we see good growth in other crops. And the cotton is only 30% of our total sale now. The other 70% will see a growth. So we have to be confident that we'll grow across on overall consolidated basis.

**Guneet Singh:** Right sir. And how do we look at the demand for non-cotton segments, specifically the rice segment, hybrid and selection rice?

**Mithun Chand:** And the other main crops like maize, rice and what we call it selection rice, even that is also rice. We see good demand in these crops, and we see double-digit growth in these crops.

**Guneet Singh:** All right, sir. And in terms of realizations for the non-cotton segment, how are they currently? And what that margin should we expect from the non-cotton segment. Do we see any improvement?

**Mithun Chand:** It should be in line with this year. Even though the production costs are up in those crops, we'll be able to pass it on to the farmer. So we don't see any pressure on the non-cotton segment.





**Guneet Singh:** All right, sir. And on a consolidated basis, what kind of volume growth or degrowth are you looking at in FY '25?

**Mithun Chand:** If you see like non-cotton segment, volume growth is more than 10% across.

**Moderator:** The next question is from the line of Madhur Rathi from Counter Cyclical PMS.

**Madhur Rathi:** Sir, I'm trying to understand that according to news reports, the cotton seed production is down something like 25%. So firstly, I wanted to get your view on that, whether the shortage is actually 25% or thereabout? And sir, if so, then since we are expecting something like 5% volume degrowth in cotton, do you think it can be set off by higher realization in cotton seeds? And sir, also, what was our realization for cotton seeds last year and what is it now?

**Mithun Chand:** So I think you missed the first question. I've already answered this. The realization will be slightly higher than last year, but the production costs have gone up. So that will compensate what we try to realize from the market. In fact, there will be some sort of a negative, I mean to say, we may not be able to maintain last year EBITDA margin because the production cost has significantly gone up. Even though we realize more from the market, since we'll have some dent on that.

**Madhur Rathi:** So on an overall basis, in your best judgment for FY '25, sir, you think we can reach around Rs. 300 crores EBITDA that we are doing since last many years, or you expect a fall?

**Mithun Chand:** So if you see the overall percentage of cotton, cotton is only 30% of our total sales as of now, close to 30%. But we see a good growth in the other 70%. So definitely, we see good year coming. And in terms of what you say EBITDA, definitely, this will be higher than what it is now.

**Moderator:** The next question is from the line of Rohan Patel from Turtle Capital.



- Rohan Patel:** Sir, as of now, what is about cotton market share?
- Mithun Chand:** We have like 12% to 13% of the total market.
- Rohan Patel:** And if you see over the period of time, we have lost our market share considerably, like it's half of what we used to be having before, some years ago. So who have we lost our market share to? Is it unorganized players or organized players? What has happened over there? Can you just elaborate it?
- Mithun Chand:** So I'll just try to correct, we were never at 25% market share. We were at a market share of like 17% to 18% at peak. Then the cotton market size were also up to significant like 5 to 5.5 crore packets. Now the market size itself is 4.5 crores. The cotton market has declined, and we have lost market share, especially in Andhra where we had more than 40% market share that has come down.
- And then cotton was shaken by all other players. And basically, there are one or two companies which have taken the majority of market share.
- Rohan Patel:** Okay. And are we trying any initiatives to recoup that going back to 17% on pan-India basis?
- Mithun Chand:** Definitely, because we have introduced many hybrids and still there are some more pipeline headwinds. So we are pretty confident going to that market shares in the coming years. They are very promising hybrids, some are already tested and launched in the market that we are going to see the sale in the next coming 2 to 3 years for that.
- Rohan Patel:** So it will take us 2 to 3 years?
- Mithun Chand:** I mean to say, this is the real growth towards that path, you will see in the next 2 to 3 years.
- Rohan Patel:** Okay. And as of now, what is the share of new products in cotton?



- Mithun Chand:** This year, it's less because we were not able to produce the cotton. As I said that there was a tough condition in terms of production. If you see the major markets again with Moneymaker, Jaadoo, and ATM, these are 3 main products which are contributing more. But going forward, there will be other products which will be having a size in total contribution.
- Rohan Patel:** Okay. And what was the packet sold in 2024 or for the quarter?
- Mithun Chand:** That is already given in the presentation, it's around 51 to 52 lakh packets. The exact number is there in the presentation.
- Moderator:** The next question is from the line of Sandeep Abhange LKP Securities Limited.
- Krushik Parekh:** I just want clarity. So you mentioned that the advance from customers in the other current liabilities is, what's the number this year?
- Mithun Chand:** It's between Rs. 160 crores to Rs. 180 crores.
- Krushik Parekh:** Rs.160 crores to Rs.180 crores?
- Mithun Chand:** I will just find out the exact number, but it will be Rs. 160 crores to Rs. 180 crores. It's as of March 31, we need to see the exact number.
- Krushik Parekh:** Because I think last year, it was somewhere around Rs. 270-odd crores, if I'm not wrong?
- Mithun Chand:** Last time also, it's in the same number. Usually, it's in and around the Rs. 200 crores mark.
- Krushik Parekh:** Okay. So around Rs. 160 crores to Rs. 180 crores is what you're suggesting at. Okay. And second thing, we again got this income tax notice some month back or so. How different is the demand this time versus what we had received in some of the prior years. And I'm sure we are confident on the agricultural income portion of it. But how different it is versus the earlier claims that the department has made?



- Mithun Chand:** On the same lines. If you see the previous year and a couple of years back, we had another demand. In the same line, the demand was raised this year, but nothing is admitted. Now the case is one of the cases in the commissioner of Appellate, nothing has gone through, it is still at the initial stages.
- Krushu Parekh:** Okay. Okay. But, so nothing different right
- Mithun Chand:** Nothing different. It was all done on the same lines.
- Moderator:** The next question is from the line of Yogesh Mittal, an Individual Investor.
- Yogesh Mittal:** I have a question about the vegetable seeds that I know that the company has multiple vegetable seeds as the offering. Out of these, which seeds are companies own development by the R&D and which are from like outside like the license or something like that?
- Mithun Chand:** More than 90% of the revenues are our own seeds. There are some seeds like cabbage and cauliflower that we import. But otherwise, it's all our own seeds.
- Yogesh Mittal:** Okay, sir. Sir, one thing more, last year, what have been invested in R&D expenses, both capex and opex, FY '23 to '24?
- Mithun Chand:** For the FY '23, the R&D expenditure was Rs. 45 crores to Rs. 47 crores. For FY '24, it was around Rs.57 odd crores.
- The majority of that is in the recurring expenses.
- Yogesh Mittal:** Majority in recurring. Okay.
- Moderator:** The next question is from the line of Anurag Jain, an Individual Investor.
- Anurag Jain:** I just wanted to clarify on the advance from customers. Sorry for repeating this question. See, earlier last year, the balance sheet shows that the advance from customers was Rs. 276 crores. So if this year, it

is between Rs.160 crores to Rs.180 crores, is there a change in strategy by the company?

**Mithun Chand:** Nothing, because I just need to check the exact number on 31st March. But what we are seeing as compared to the last year, the advances are in line or slightly better than last year because we don't have cotton seed. We have got huge advances for cotton. Anyhow, I will come back on this on exact number.

**Anurag Jain:** Okay, sir. My second question is, sir, this is coming from the consolidated cash flow statement. The consolidated cash flow statement shows that for FY '24 and FY '23 combined the company has spent for property, plant and equipment almost Rs. 208 crores. Rs. 99 crores in one year and another Rs. 108 crores in FY '23. So I wanted to understand what is this capital expenditure of Rs. 208 crores on and by when the benefit for these would be available?

**Mithun Chand:** So there are a couple of things. One is the new office, which we are constructing, that we will move into next 1 or 2 months. The other thing is all about the plant. We have set up plants and cold storage in the last couple of years. So that the main capex what we have done. All the plants and most of the plants are already commissioned. From this year, we are already using it.

**Anurag Jain:** Okay. And Sir, the cold storage would be operational by when?

**Mithun Chand:** Even the cold storage is also operational.

**Anurag Jain:** Okay. And sir, one more question, in the fourth quarter, the other segment has witnessed sales of Rs. 31.5 crores. This was a significant contribution in the fourth quarter.

**Mithun Chand:** Sorry, can you please. I have missed it?

**Anurag Jain:** I will repeat, sir. In the fourth quarter of the previous year of FY '24 the other segment, basically, if I take the total sales of the company and remove the sales for cotton, rice, selection rice, hybrid rice and

maize then what is left is basically the others. So if I take the others, the sales contribution products has been Rs. 31.5 crores in Q4, which last year Q4 was around Rs. 5.5 crores.

**Mithun Chand:** Basically that is export business, which have come in from, that is sunflower.

**Anurag Jain:** Sunflower and exports business.

**Mithun Chand:** For exports, we have done for sunflower. Majority of that was in the fourth quarter.

**Moderator:** The next question is from the line of Sidhant Dand from Goodwill.

**Sidhant Dand:** My question on a broad basis, what does the industry need to do or the government needs to do to encourage in the cotton sales production or harvest to go back to the previous time that we saw a decade ago?

**Mithun Chand:** One thing, you're talking about the price or in terms of the area?

**Sidhant Dand:** Area.

**Mithun Chand:** Area that the government I don't think will act on the area because that all depends on the demand and supply.

**Sidhant Dand:** Demand and supply.

**Mithun Chand:** Yes, demand is low. But the price is good. So I don't see areas going down from here. If there's a real demand, the area will go up. But the one thing what we need to observe in cotton is that there are new technologies which are waiting for the approval, that's one thing which will increase the value. And the other thing is that in terms of the close plantation, high-density population that is also coming in, wherein the volume will go up. The area might remain the same, but the volume will go up by 2 to 3 times. So these are the things which are awaiting, yes.

**Sidhant Dand:** Is there any timeline or something



**Mithun Chand:** Nothing. No timelines. I think the new technology will come at any time. Most of the approvals have already done. That's most probably in the next 6 months, right? Hopefully, that should be done if nothing goes wrong.

**Sidhant Dand:** Okay, but you are not like 3 to 5 years.

**Mithun Chand:** Yes. And the other thing, evenly for the closed plantation, it's in very advanced stages. If you get the right product, definitely, it will also move in. So in the next 3 to 5 years, these are 2 things which are coming up. That will definitely increase the volumes of the cotton market irrespective of the area.

**Sidhant Dand:** Okay. Understood. And secondly, is there any update around new genetically modified sales possible? Or is it still a long time to go?

**Mithun Chand:** That's what I said. Most of the approvals have already done for

**Sidhant Dand:** No. I am asking for non-cotton.

**Mithun Chand:** Noncotton, its most of the crops are under trial. I think even when compared to a couple of years back, now we are on a very positive side, even that might be approved. That's my personal feeling. Nothing to add.

**Moderator:** Thank you for joining the call. For any other information, please be in touch with Mr. Rama Naidu from Intellect IR on 992-020-9623. On behalf of Kaveri Seed Company Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.