Kaveri Seed

Operator: Ladies and gentlemen, good day, and welcome to the Kaveri Seed Company Ltd. Q2 and H1 FY27 earnings conference call. As a reminder, all participant lines will be in listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Please note that this conference call will be recorded. Joining us today on this call is Mr. Mithun Chand, Executive Director. Before we begin, I would like to mention that some of the statements made in today's call may be forward-looking in nature and may involve risks and uncertainties. For a list of such considerations, please refer to the earnings presentation. I would now like to hand over the call to Mr. Mithun Chand. Over to you, sir.

Mithun Chand - Executive Director: Thank you. Good evening, and welcome, everyone, to our Q2 and first half '27 earnings conference call. We hope you had a good chance to review the presentation of the results, which is also available on our website. I will touch upon the operational and financial performance of the company, and then open the floor for a Q&A session.

Revenue from operations was 125.44 crores as compared to 96.61 crores in Q2 '24-'23, a growth of 29.84%. EBITDA was 5.42 crores as compared to a loss of 6.47 crores. Net loss narrowed to 3.21 crores as compared to a net loss of 15.05 crores.

On a segmental basis, non-cotton revenue was 116.82 crores, and the EBITDA margin was 30.48% of net revenue as compared to 30.32% in the first half '23.

Maize was the largest drag on the half, with volume down 36% and revenue down 36.3%, owing to a nearly 30% drop in sowing acreage in Karnataka.

New products continue to gain share, with new cotton products contributing 37.7% as compared to 21.4%, while new single-cross hybrids contributed a substantial 21.8%-plus of the maize portfolio.

The export business grew 2.63 times to 33.07 crores from 12.56 crores in the first half.

The Board has declared an interim dividend of Rs. 5 per share, which is 250% of the face value of Rs. 2 per share.

Operational highlights:

The contribution of new cotton products increased from 21.4% to 37.7%. Cotton volumes were maintained vis-à-vis last year, in spite of challenges such as illegal cotton and a reduction in acreage in the first half of '24. Revenue was 222 crores as compared to 224 crores. In the second quarter, cotton revenue grew by 41.7%. In cotton, the company has established a strong foundation with new products in the northern markets of Haryana, Punjab, and Rajasthan, as well as in the central and southern markets.

Maize revenue was 188.47 crores as compared to 295.84 crores, a decline of 36.3%, while new single-cross hybrids contributed a substantial 21%-plus growth in the maize portfolio.

Hybrid rice revenue was 264.4 crores as compared to 282.56 crores, a decline of 6.4%. In the second quarter, hybrid paddy registered significant growth to 17.33 crores from 2.37 crores, primarily due to the export business.

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Selection rice revenue increased by 2% to 169.45 crores as compared to last year. In Q2 '24, research paddy grew by approximately 22%.

Vegetables revenue was 25.99 crores as compared to 31.7 crores, a decline of 18%.

Revenue from other crops was 70.70 crores as compared to 40.8 crores, a growth of 71.6%.

To build on the export momentum, the Board has approved the incorporation of wholly owned subsidiaries in Tanzania, Kenya, Vietnam, Thailand, the Philippines, Indonesia, Zambia, and Peru. These subsidiaries will focus on product registration, research for seed and vegetable crops, and marketing and distribution. The company holds the globally recognized ISTA accreditation for the quality-control laboratory, besides its ISO and NABL accreditations.

The overall growth story remains intact. The first half has been challenging on account of the weather, but the recovery in the second quarter, the rising share of new products, and growth in exports have given us confidence in the direction of the business. We will continue to work on new variants across maize, vegetables, rice, and cotton, and build our presence in international markets through the new subsidiaries.

I will now open the floor for the Q&A session. Thank you.

Operator: Thank you, sir. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use the handset while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Rishabh Shah from {? Bagla PMS ?}. Please go ahead.

Rishabh Shah – {? Bagla PMS ?}: Hi. Thanks for the opportunity. My question is that we are expanding into eight countries, as we have mentioned, and we had also sent some samples to the Philippines in the last quarter. What results were we awaiting? As you say, farmers in foreign countries are more difficult to convince to use our products, so I wanted to understand the thought process behind expanding into so many countries, because earlier we had also tried Bangladesh, but we were not as successful as we thought we would be.

Mithun Chand – Executive Director: Basically, if you see our export business, compared with 5 years ago, we have increased our export business from hardly 10-12 crores to almost 65-70 crores now. Going forward, we are exporting our seed and billing it to a distributor there, and the distributor is selling our seed there.

Going forward, we want to establish our own brand. To establish our own brand, we need to test there, which takes 3-4 years. For that, we require registration of the company, incorporation of the company, and registration of the hybrid under the company.

We now want to open up going forward. It will take some time, perhaps 4-5 years. It will take some time for us to test, conduct trials, introduce hybrids, and create our own brand there. That is the reason we are trying to incorporate the companies.

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For example, in Bangladesh, we have not failed. We are successful there and are doing business in Bangladesh. The only thing is that we are still trying to develop the brand. Once we develop the brand, we will sell it in our own name. Whereas in countries such as those in Africa, we need to register our hybrid, which takes 3-4 years for us.

If you see our exports, we have already done good business in Tanzania, Indonesia, the Philippines, and Vietnam. We are trying to develop our own brand there, which takes time. At the same time, we will try to export our products through distributors, and then we will try to build our own hybrids and brand.

Rishabh Shah – {? Bagla PMS ?}: So, basically, you are saying that the difference this time between Bangladesh and the African countries is that registrations take more time compared with Bangladesh, based on what we have seen?

Mithun Chand – Executive Director: Yes. But at the end of the day, if you want to sell our own hybrid and our own brand, we need to register it there. For that, we require a local incorporation. Right now, we are just exporting our seed, and they are branding and selling it under their own brand.

Rishabh Shah – {? Bagla PMS ?}: My next question is that we are a seed company, and in a previous call, you mentioned that this period is very challenging for us due to El Niño, lower rainfall, and similar factors. I wanted to understand whether we have faced such difficult times in the history of the company. What is different this time, and how are we tackling this situation differently?

Mithun Chand – Executive Director: If you see our sales right now, the first half is already complete, and that is where we have seen the majority of the impact. I do not expect much impact to remain. There will definitely be some impact in the second half as well, but we have already seen the impact. We are down 10% in overall sales.

If you look at this region-wise and take maize as a crop, we are down by more than 35-40%, and the majority of that decline is from Karnataka, where we have seen more than 30% deficient rainfall, especially in southern and northern Karnataka. That has impacted our maize sales significantly.

Even then, we were able to cope in some areas. Overall, in areas where we were strong in terms of sales, such as Telangana, combined Andhra, and parts of Maharashtra, rainfall and acreage were significantly lower. That has impacted us.

Even under these tough conditions, we were able to maintain our market share and revenue close to what we achieved last year, except in maize.

This is one of the difficult years we have experienced, and I think you are all seeing the reports regarding how difficult and challenging this season has been. We are in this business, but this is a one-off year, and there is nothing to worry about regarding the future. Considering the competitors and the situation, I think we have performed very well compared with many players in the industry.

Rishabh Shah – {? Bagla PMS ?}: One more thing on market share. My question is regarding illegal cotton. We have always mentioned that the government is taking steps to stop the sale of illegal cotton, but companies such as Kaveri and Rasi Seeds, which are leaders in cotton seeds, have still

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faced challenges in gaining or maintaining market share in the cotton seed business.

Every time there is an increase in the illegal sale of cotton, smaller players enter this cotton seed business. How are you tackling the market-share situation? Every time we see that some steps have been taken, but nothing prevents these smaller players from entering and taking our market share in the illegal cotton segment.

Mithun Chand – Executive Director: There are two aspects to this. First, illegal cotton is increasing year-on-year. It increased significantly in the previous period. Right now, it is increasing only marginally. The government is also taking steps to control it.

Looking at the actual practical problem, in the last 10-12 years—in fact, in the last 15-16 years—we have not seen any new technology introduced in GM technology. Illegal HT, such as BG-2 RRS, is already present in the market, and it is taking root. That is the reason it is taking time.

However, when you look at the market share of new hybrids, it is increasing. The market share of older hybrids is declining. We are able to maintain our market share and will grow further because we have introduced new hybrids in the northern, central, and southern segments, and they are performing well. That is the reason we believe that even if illegal HT remains at this level, we will definitely grow next year in terms of hybrids.

Rishabh Shah – {? Bagla PMS ?}: My last question is that companies such as Bayer have grown in certain seeds, such as maize, but we could not do so. You had mentioned that the problem was that we did not have products for particular states such as Maharashtra and Madhya Pradesh. Are we planning to—

Mithun Chand – Executive Director: [cut off] I am not sure how much Bayer has grown, because I do not have the exact figures for comparison. But if you look at the overall acreage in India, except for Madhya Pradesh, no other state has grown.

If you look at the overall maize yields and compare the latest yields with the previous year, the yield will be lower by at least 20-25% compared with last year in terms of maize output, based on the initial figures we receive regarding productivity.

In terms of Madhya Pradesh, it has really picked up in the last 3-4 years. We are not very strong in Madhya Pradesh. But if you look at the southern parts of India, especially Karnataka and combined Andhra, we are considerably stronger than Bayer. Bayer now wants to enter those markets, but—

Rishabh Shah – {? Bagla PMS ?}: Sir, my question was on that point itself. There are certain states for which we do not have products, such as Maharashtra or Madhya Pradesh, whereas we are stronger in the southern states.

Mithun Chand – Executive Director: We do have products for Maharashtra and Madhya Pradesh, but it is taking some time. We were late in entering the Madhya Pradesh market.

Rishabh Shah – {? Bagla PMS ?}: Okay. Thank you.

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Mithun Chand – Executive Director: Going forward, we will definitely increase our market share in Madhya Pradesh as well.

Rishabh Shah – {? Bagla PMS ?}: Okay. Thank you very much.

Operator: Thank you. The next question is from the line of Viraj Kacharia from SIMPL. Please go ahead.

Viraj Kacharia – SIMPL: Hi. Thanks for the opportunity. I have a couple of questions. First is on the cotton business, as an extension to what the earlier participant was asking. I understand that there has been sizeable penetration of illegal cotton [trails off]

Viraj Kacharia – SIMPL: In terms of technology in the market, there has been a material contraction in cotton acreage compared with what it was 3–4 years ago. But if I look at our own sales over the last 10 years, we have grown at an annualized rate of around 6–7%. While the non-cotton business has been growing at a very healthy double-digit rate, the cotton business is where we have declined.

If there is no material change in new technology and everyone is competing on the value proposition at the second level of technology, either in terms of better yield or tolerance to pest infestation, how should we understand the growth potential of our cotton portfolio from here? Can it double over the next 3–4 years, or do you think it will only sustain the current level based on the new launches we make? How are you looking at it?

Mithun Chand – Executive Director: Basically, if you compare our portfolio today with our portfolio 6–7 years ago, it may appear that we have achieved only 5–6% growth or flattish sales over the last 5–6 years. However, as you rightly pointed out, we have grown more in the non-cotton segment than in the cotton segment.

In fact, we have declined in cotton. At our peak, close to 85% of our revenue came from cotton. Right now, less than 20% comes from cotton. Our product mix has changed. The product portfolio and the contribution of that portfolio to revenue have changed.

If you look at our current sales compared with the previous year, the majority of our sales are coming from new hybrids, not older hybrids. Going forward, it takes a lot of time to introduce new hybrids. You are very much aware that it takes a lot of time for us to introduce new hybrids.

We have done so over the last 2–4 years. We may have had a delay of 1–1.5 years because of the monsoon effect and other factors, so we were not able to advance as we had planned.

However, if you look at the current year's performance, the hybrids are performing very well compared with those of other competitors. Going forward, we can definitely double our sales in the next 3–4 years in terms of the cotton portfolio. We are quite confident because of the performance of our products in the market.

We definitely do not see cotton declining from here. Even at this stage, overall cotton acreage is down, illegal cotton is increasing, and new technologies and new segments are emerging. Even in this difficult scenario, we were able to maintain our volumes. That itself demonstrates the strength

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of our product portfolio. Going forward, we will definitely see a positive trend in cotton as well.

Viraj Kacharia – SIMPL: What is the age profile of the cotton portfolio when it comes to new and old products?

Mithun Chand – Executive Director: If you look at the growth we are seeing, approximately 50% is now from the new portfolio. Going forward, in the next 3–4 years, 85–90%, or more than 90%, will be from the new portfolio.

Viraj Kacharia – SIMPL: Incrementally, for cotton, will the growth be driven largely by new products, or do you think there are market pockets in terms of geography or applications where we are not present and which will help us grow?

You have a cotton portfolio of approximately 220–250 crores, which includes older products that, after a certain stage, would go off the shelf. While the new products are scaling up, there is also a negative effect. We are trying to understand how we should look at doubling the portfolio from approximately 250 crores to 500 crores in 3–4 years. How are you looking at the construct of that growth?

Mithun Chand – Executive Director: As I said in my earlier statement, whatever our sales are 3–4 years from now, the majority—close to 80–90%—will come from new hybrids. Whatever incremental growth we achieve will come only from new hybrids, not from older ones.

The older hybrids will gradually be phased out, and the entire market share of the older hybrids will also be taken by the new hybrids. Considering that scenario, I am saying that 80–90% will be from the new hybrid portfolio.

Viraj Kacharia – SIMPL: I have just two more questions. On the non-cotton side, we are also looking at scaling up segments such as vegetables and fruits. However, I think we have had limited success over the last few years, and we had tried this earlier as well.

The competitive intensity in the segment is very high, and multinational companies are quite dominant in this space. When are we looking to establish ourselves in this segment? Can you provide any indication of where we are in terms of launches and how we are approaching this? Any indication would be helpful.

Mithun Chand – Executive Director: We are growing in vegetables as well. If you look at our portfolio 10 years ago, it was almost zero. Last year, we achieved approximately 65–70 crores in vegetables alone.

We had thought that we would reach approximately 100 crores in the next 1–2 years, which is very much possible as of now. However, over the last 2–3 years, we have seen seasons changing very quickly, and that has had a significant impact.

In terms of competition, multinational companies are not new to us. If you look at the competition across most of our product portfolio, we compete with both domestic companies and multinationals. We are the only player in India that competes with both domestic companies and multinationals.

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Except for cotton, we compete with multinationals in all our segments. The competition is not new, and we compete with them. We position our hybrids on par with or significantly better than theirs. Only then will the farmer accept them.

Therefore, we are not worried about competition. Competition is always present. Based on the performance of our products, we believe that we will grow in those segments.

Viraj Kacharia – SIMPL: On the export business, as you said, if we want to grow our own brand, we need to establish entities and apply for registration. Typically, what is the timeline for obtaining registration? To scale up in each of those markets, would we need to make investments in the P&L in terms of a field force, or how are we looking at the go-to-market strategy?

Mithun Chand – Executive Director: There are two things to note here. These entities are being incorporated only to register our hybrid varieties there, which requires a minimum level of investment. That does not mean that we are stopping our exports.

We will continue with the present model, under which we export. However, we will not sell directly under our own brand. We will export through a distributor. The distributor will sell under our brand or its own brand, depending on the country's requirements.

Going forward, as we establish and grow our exports, we want to establish our own brand in those countries. That is the reason we are trying to incorporate these companies. It will take a long time—at least 4-5 years—to start a business there. However, somewhere we need to start, and we are starting now. In terms of investment, this will require a very small investment.

Viraj Kacharia – SIMPL: Which crop segments do you think have the maximum export potential?

Mithun Chand – Executive Director: Basically, we compete in maize and rice. In some areas, GM cotton is also present. That again depends on the local provider there. These are the 3 main crops we are targeting, along with vegetables.

Viraj Kacharia – SIMPL: Okay, thank you. That is helpful.

Operator: Thank you. The next question is from the line of Dhruv Saraf from {? Bohead ?} India's Fund. Please go ahead.

Dhruv Saraf – Bowhead India Fund: Good afternoon, sir. I wanted to ask about inventory. We have seen inventory at 1,200 crores, and it has not decreased from the March level. Historically, inventory has been seasonally weak in H1 and tends to come down. What explains this inventory build-up? Does it pose a risk of a significant write-off? It is now at very high levels compared with the past, even if I look at the last 2 years or the last 4-5 years.

Mithun Chand – Executive Director: Compared with last year, in absolute terms, inventory is up by 150 crores on a comparable September-to-September basis. Approximately 150 crores is also what is reflected in the cash on the books.

If you look at the cash levels, they have also declined because we have more inventory compared with last year. The amount is close to 150 crores.

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In the last call, we also explained that production was higher than anticipated in some crops because yields were higher. The other factor was that actual sales, or the projected and anticipated sales, were lower. That is the reason inventory has accumulated.

In terms of the risk factor and whether we are going to write it off, the major inventory is in rice, cotton, and maize. Rice and cotton are not difficult. We are still taking some production in certain rice varieties and in cotton, where there is some scarcity. Therefore, we are not worried about these 2 crops.

In maize, we have completely stopped production this year because we have inventory. In terms of storage, we have sufficient infrastructure. The inventory is properly stored from the time we receive it. We do not see any write-offs as of now. It is properly maintained, and the results you are seeing are after the impact of write-offs.

The write-offs we anticipate will be in line with normal levels. We do not see any major write-offs going forward. This inventory will all be used in kharif, as we have not taken any production plan for maize for rabi this year. This inventory will be used next year.

Dhruv Saraf - Bowhead India Fund: This inventory will not be used for rabi this year, then, because maize prices are strong—

Mithun Chand - Executive Director: We will use it for rabi as well. If you look at the maize price, it is at a record high of approximately 32 rupees. Last night, it was close to 32 rupees. That is almost an all-time high.

However, if you look at the actual conditions, Bihar is doing well, but most companies have a lot of inventory there, and there is a lot of competition in Bihar. We will also grow in Bihar and the eastern region to some extent.

However, in major areas such as combined Andhra, Maharashtra, and Karnataka, we still have not seen rain. Therefore, there will definitely be some impact on second-half maize sales. We do not anticipate much of a positive response in the second half in maize. However, kharif looks good for us.

Dhruv Saraf - Bowhead India Fund: Kharif looks okay.

Mithun Chand - Executive Director: Next kharif looks comfortable. Considering maize prices, inventory levels, and the production estimates, we see maize performing very well in the first half of next year. We should not be worried about it.

Dhruv Saraf - Bowhead India Fund: Do you foresee any slight shortage of maize seed again next year? Is that what you are trying to imply?

Mithun Chand - Executive Director: No. Most companies have maize seed, and our company, Kaveri, has sufficient maize seed for next year.

What we anticipate is that, based on the current maize price, maize acreage will definitely increase next year. Sentiment is also positive now, but water availability is currently very low. That is the

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reason we are saying that the increase may or may not happen immediately.

Dhruv Saraf – Bowhead India Fund: You have seen a 9-10% sales decline in H1 this year. What are your estimates for the full year? Do you expect the decline to continue at 9-10%, or do you expect to grow in the second half based on what you have just said about maize? Maize is the largest crop in the second half.

Mithun Chand – Executive Director: If you look at the second half on a standalone basis, I am not considering the consolidated figures because there are 2 other subsidiaries, we achieved approximately 270-280 crores in the second half last year.

As of now, we expect performance to be within plus or minus 10%, because we are anticipating strong exports in the second half again.

Dhruv Saraf – Bowhead India Fund: Hmm.

Mithun Chand – Executive Director: Exports are doing well. We also expect a slight decline in other crops, so that should be compensated. Plus or minus 10% should be our initial expectation.

However, as you are very much aware, there is a cyclone affecting Andhra.

Dhruv Saraf – Bowhead India Fund: Yes. Hmm.

Mithun Chand – Executive Director: That is slightly positive, as it may benefit maize. The extent to which it fills the tanks will have some impact on maize and other crops. They are also saying that it may extend to parts of Telangana and, to a small extent, parts of Karnataka. That will be a positive trigger for us.

However, we need to wait for another week or so, until the Diwali festival.

Dhruv Saraf – Bowhead India Fund: All right, sir. I will come back in the queue. Thank you, sir.

Operator: Thank you. A reminder to all participants that you may press star and one to ask a question. The next question is from the line of Sonal Kohli from {? Bohead ?} India's Fund. Please go ahead.

Sonal Kohli – {? Bohead ?} India's Fund: Hello, Mithun. How are you?

Mithun Chand – Executive Director: Fine, fine, Sonal.

Sonal Kohli – {? Bohead ?} India's Fund: I have a couple of questions. Did I hear you correctly that in the second half of this year, you expect growth of plus or minus 10% year-on-year? Is that what you said? Did I hear you correctly?

Mithun Chand – Executive Director: Yes. I was checking it. Last year, on a standalone basis, we achieved 260 crores in the second half.

Sonal Kohli – {? Bohead ?} India's Fund: On a consolidated basis, you achieved 317 crores. Could you help us understand this difference and the confusion between standalone and consolidated

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figures?

Mithun Chand – Executive Director: We have 4 other subsidiaries—

Management: ...where we also make sales. Those account for 40-50 crores. On a consolidated basis as well, it should be plus or minus 10%, and not more than that.

Sonal Kohli – {? Bohead ?} India's Fund: I see. Have there been any recent changes that have led you to change your expectations in your assessment over the last few weeks?

Management: Sorry?

Sonal Kohli – {? Bohead ?} India's Fund: Have there been any recent changes in your expectations based on weather patterns over the last few weeks or months?

Management: Nothing much. However, what we have seen is that, in terms of cyclones, usually during the second half, from October to November 10 or November 15, there are many cyclones in parts of the region that bring rainfall to Andhra and Telangana. We have already seen one.

If we are able to cover some areas, sales will be good. However, in other areas such as Maharashtra, we are not seeing any sales.

Sonal Kohli – {? Bohead ?} India's Fund: Your EBITDA margins are down by approximately 200 basis points for the first 6 months. Would you expect that trend to continue for the full year as well?

Management: EBITDA margins, in fact, on a standalone basis, and on a consolidated basis, are down by only 1%. If you look at the PAT level, it is 5 to—

Sonal Kohli – {? Bohead ?} India's Fund: On a 6-month basis, sir. On a 6-month basis.

Management: On a 6-month basis, if you look at EBITDA margins—

Sonal Kohli – {? Bohead ?} India's Fund: It is down 200 basis points, or 190 basis points.

Management: No. If we look at our EBITDA margins on a half-on-half basis, on a standalone basis it is 30.48% compared with 30.32%, while on a consolidated basis it is 29.85% compared with 30.8%. It is down only on a consolidated basis. However, if you are looking at PAT levels, we had higher other income last year.

Sonal Kohli – {? Bohead ?} India's Fund: Okay, perhaps there is a mix-up in my numbers. I will review them. Whatever I have shows—

Management: In fact, on a standalone basis, the EBITDA margin was slightly higher.

Sonal Kohli – {? Bohead ?} India's Fund: Yes, we look at the consolidated figures because ultimately we are looking at and buying the consolidated business.

Management: On a consolidated basis, we are down by 1%. Consolidated EBITDA is down by approximately 1%. I am talking about EBITDA excluding other income. We are down 1% because, in the subsidiaries, the majority of which are in cotton, we were not able to conduct that business and

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incurred higher expenses there. That is the reason for the 1% decline at the consolidated level.

Sonal Kohli – {? Bohead ?} India's Fund: What is the average life of the seed inventory? At what point does the inventory become old and prone to being written off?

Management: It is a continuous process. Every quarter, we test the inventory based on the seed variety.

In terms of the life and health of the inventory, most of the inventory is new. Usually, cotton seeds remain viable for 3–5 years, rice seeds for approximately 3 years, and maize seeds for 1.5–3 years.

In terms of health, the inventory is in very good condition because we have maintained it properly from post-harvest through storage. Therefore, we do not see any write-offs in that regard. Most of the inventory currently has good germination and vigour. We are not worried about it. It should remain usable next year.

Sonal Kohli – {? Bohead ?} India's Fund: How long would you say is the normal life of the inventory?

Management: Based on the storage facilities, it will remain safe for 1.5–3 years. Again, that depends on the crop. For cotton, it will be close to 5 years or more.

Sonal Kohli – {? Bohead ?} India's Fund: And for maize and rice?

Management: Maize is the only delicate crop. Rice also remains in good condition. Maize is the only delicate one. We have taken sufficient care, and considering the vigour and proper storage, we are not worried about it. We do not see any major write-offs in the inventory.

Sonal Kohli – {? Bohead ?} India's Fund: Is maize 1.5 years, or how long is its life?

Management: Maize is 1.5–3 years.

Sonal Kohli – {? Bohead ?} India's Fund: 1.5–3 years. I assume last year's maize inventory must have been negligible because supplies were short. What I am trying to understand is that last year's maize inventory must have been very low, so the current inventory must all be new inventory, correct?

Management: No. Whatever inventory we have right now across all crops is new inventory. It was all produced during the current financial year.

Sonal Kohli – {? Bohead ?} India's Fund: From that perspective, that is why you think it is quite safe and not very old inventory—

Management: Yes.

Sonal Kohli – {? Bohead ?} India's Fund: What guidance can you give us for margins this year in terms of a decline or increase?

Management: If you look at the first-half margins, we have maintained them even though revenue was down. We were able to maintain our EBITDA margins.

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Going forward, we should also maintain the EBITDA margin. However, considering the season, we need to assess the 5-10% change in sales because the second half is a lean period for us. We are seeing good exports and good traction in the northern cotton market, which comes in the fourth quarter.

That should compensate for the decline, and the margin should remain the same or improve. Otherwise, there could be a slight impact. However, as we are anticipating some rain, it is a bit early to give a clear idea. We can provide a proper view in the third-quarter results. As of now, it looks like performance will be within plus or minus 10% of last year.

Sonal Kohli – {? Bohead ?} India's Fund: Is it possible for you to share the growth trend in the first 6 months for maize, cotton, and the 2 types of rice you produce?

Management: Sorry?

Sonal Kohli – {? Bohead ?} India's Fund: Is it possible for you to share the year-on-year growth trend for maize, rice, and cotton in the first 6 months?

Management: We have already shared that in the presentation. Maize is down by approximately 30%. On a varietal basis, we have grown slightly. Cotton has remained stable, and rice is slightly down by 2-3%.

Sonal Kohli – {? Bohead ?} India's Fund: I am sorry, sir?

Management: The numbers are already in the presentation, but if you look at the first half compared with the first half—

Sonal Kohli – {? Bohead ?} India's Fund: Okay.

Management: If you look at the first half compared with the first half, except for maize, most crops have remained the same or are marginally up or down by 1-2%.

Sonal Kohli – {? Bohead ?} India's Fund: Okay. Thank you. Thank you.

Management: Thank you.

Operator: Thank you, sir. The next question is from the line of Rishabh Shah from Burglerock PMS. Please go ahead.

Rishabh Shah – Burglerock PMS: We have 2 subsidiaries, Aditya Agri Tech and Genomix, which each generate nearly 100 crores or more in revenue and approximately 80 crores in PAT. In what—

Management: 80 crores?

Rishabh Shah – Burglerock PMS: In which crops—

Management: I think we have 3 active subsidiaries. One is Aditya, one is Kaveri Microteck, and the other one is Genomix.

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Rishabh Shah – Burglerock PMS: Yes, Genomix. Aditya Agri Tech and Genomix each generate more than 100 crores in revenue and PAT of 80 crores.

Management: 80 crores is incorrect. It cannot be 80 crores; it should be 8 or 9 or 10 crores.

Rishabh Shah – Burglerock PMS: 8? Okay. In which crops are they focused, and what leads to such high profitability?

Management: I do not know where you are seeing those numbers. They are marketing companies, and they do not have that level of profit.

If you look at the standalone PAT this year, it is 268 crores, while at the consolidated level it is only 271 crores. PAT is up by only 3%. In terms of EBITDA excluding other income, it is 286 crores versus 294 crores. It is only 6 crores higher at the EBITDA level.

Rishabh Shah – Burglerock PMS: In which crops are they operating? Are they only marketing companies? They do not operate in any of—

Management: The entire research and production process is conducted by Kaveri. In the case of Genomix and Aditya, Kaveri supplies seeds to them, and they market them. That is the only activity they undertake.

Kaveri Microteck deals with micronutrients and bioproducts. It operates independently. Its revenue is approximately 35–40 crores and it is also slightly profitable. That is all.

Rishabh Shah – Burglerock PMS: My next question is: how high would our dependence be on hybrids such as 468 for paddy and similarly for maize? How concentrated would our revenue contribution be?

Management: In rice, we are highly dependent on 468. There are a couple of other varieties as well, but the majority of the revenue from hybrid rice comes from 468. We have a significant dependence on it.

We introduced a couple of hybrids in the last 3–4 years, but they still need to gain volume and traction. As of now, in the current year, we are dependent on 468.

However, in crops such as varietal rice or maize, there are many hybrids. We market dozens of hybrids, so we are not dependent on any one hybrid. Even in cotton, we have 86–88 hybrids. Therefore, only in rice do we depend on 2 or 3 hybrids, namely 468 and 9090. These are the 2 hybrids we rely on.

Rishabh Shah – Burglerock PMS: My last question is that we have heard from some channel checks that a few distributors are common to Kaveri and Genomix, and that a few are cannibalizing Kaveri's business. How do you ensure that such instances are minimized? What is our overall channel strategy for the subsidiaries, and how different are the distribution and retail margins compared with Kaveri?

Management: First of all, what Kaveri sells and what Genomix or Aditya sells are entirely different hybrids. There are no 2 identical hybrids that we sell under different brands. All the hybrids are

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different.

Ninety percent of our dealers are independent dealers. In some markets where we have no other option, a dealer may deal with 2 varieties, but that is very limited.

Therefore, we do not see cannibalization, at least among our own hybrids and companies. Farmers have a tendency, particularly in crops such as cotton, to use 3 or 4 crops of different varieties.

When we have strong research, we obtain many products with different characteristics and abilities. We market those hybrids through different companies. The main importance is given to Kaveri and then to the other companies.

Therefore, this would happen only in very few or rare cases. In any event, I need to check it. It is a very rare occurrence based on what we are hearing. I will check it. It should not happen.

Rishabh Shah – Burglerock PMS: How different are the distribution and retail margins?

Management: It depends on the hybrid, the variety, and the company. Kaveri has the highest realizations. In some areas, these companies also have higher realizations than Kaveri. Those are different varieties operating in very niche markets.

One thing we need to understand is that the hybrids we sell through different companies are different hybrids. They are not the same hybrids.

Rishabh Shah – Burglerock PMS: Okay.

Management: Each has different characteristics.

Rishabh Shah – Burglerock PMS: Okay. Thank you.

Operator: Thank you, sir. The next question is from the line of Akshit Shetty, an individual investor. Please go ahead.

Akshit Shetty – Individual Investor: Am I audible?

Operator: Yes, sir. Please go ahead, sir.

Akshit Shetty – Individual Investor: First of all, congratulations on the Q2 FY27 results, and thank you for taking my question.

My first question is related to consolidated revenue. I can see that in Q2 FY27, consolidated revenue was 244 crores against standalone revenue of 125 crores. In Q1 FY27, it was reversed: consolidated revenue was 742 crores against standalone revenue of 815 crores.

On the Q1 FY26 call, you said you would come back on this, but it has not been covered since. Secondly, for the first half of FY27, how much of Kaveri's standalone revenue was sales to its own subsidiaries, and how much did the subsidiaries sell to outside customers? Will you add consolidated figures to the presentation from Q3 FY27?

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Management: I need to check the presentation. However, if you look at the first quarter and the first-half consolidated figures, in the first quarter we take the anticipated returns, and that does not have an effect in the first quarter. That is the reason standalone sales are higher than consolidated sales. However, if you look at [cut off]

Management: ...the best way to compare is from the first half to the first half. We have already noticed this, and we are trying to publish the figures from the first quarter of next year in a comparable manner. We will deduct the returns and then provide the actual figures.

Akshit Shetty – Individual Investor: In the presentation—

Management: If you compare the first half with the first half, those figures are more relevant because most of the returns have already been accounted for. That is the reason you see this effect. In the first quarter, the returns are anticipated returns. That is the reason you see this knock-off effect.

Akshit Shetty – Individual Investor: Okay. Thank you for clarifying this doubt.

Management: We are also trying to publish the results from next year based on actual figures. Since we currently show only the liquidation figures, and the returns have not physically come back to the company, we are facing this problem.

However, by the first half, most of the returns have already been accounted for. That is the reason you do not see any difference when comparing the first half with the first half.

Akshit Shetty – Individual Investor: Okay. Thank you for clarifying that doubt. My second question is related to cash.

On the Q1 FY27 call, you said that cash of approximately 267 crores at the end of Q1 FY27 would be close to 300 crores at the end of Q2 FY27. The Q2 FY27 press release shows 178 crores of cash compared with approximately 410 crores at the end of Q2 FY26. The Q2 FY27 standalone loss was only 3.21 crores. Where did the approximately 90 crores go in Q2 FY27? Did it go toward seed production, lower payables, dividends, or subsidiaries?

What were the inventories and seed crops in the field at the end of Q2 FY27 compared with 1,130 crores at the end of Q2 FY26?

Management: If you look at the payables at that time, between the first and second quarters, we paid most of the creditors. These were the production growers. We cleared all their payments. Whatever payments we made in the last 3 months were to them.

In terms of inventory, as I said, cash is lower compared with last year because inventory levels are considerably higher than last year. Inventories are more than 150 crores higher than last year. Therefore, the cash has either been absorbed by or is held in inventory.

Akshit Shetty – Individual Investor: So you are saying that—

Management: Once we are able to realize that inventory in the first half of next year, we will receive the entire cash back.

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Akshit Shetty – Individual Investor: Okay.

Management: We have stopped or minimized production compared with last year. Whatever cash we generate will be free cash.

Akshit Shetty – Individual Investor: Okay, understood. Thank you for {? this explanation ?}.

Operator: Thank you, sir. The next question is from the line of Dhruv Saraf from Bowhead India Fund. Please go ahead.

Dhruv Saraf – Bowhead India Fund: Mithun sir, I have one question on CWIP, or capital work-in-progress, in the balance sheet. The figure has remained around 120-130 crores. Can you provide some indication of when this will be capitalized and what the CWIP pertains to?

Management: Basically, one component is machinery, and the second is land that we are buying. The agricultural land has not yet been registered. These are office and agricultural land. This will take another 6-8 months.

Dhruv Saraf – Bowhead India Fund: Is the entire amount for agricultural land?

Management: More than 50%, approximately 50-60%, is for agricultural land.

Dhruv Saraf – Bowhead India Fund: Okay, sure. Thank you, sir.

Management: Thank you for joining the call. For any further information, please be in touch with {? Rama Naidu ?} from {? Intellect ?}.

Operator: Thank you, sir. On behalf of Kaveri Seed Company Ltd., that concludes this conference. Thank you for joining us. You may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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