



“Kaveri Seed Company Limited's Q2 FY'26 Earnings Conference Call”

November 07, 2025



MANAGEMENT:

**MR. MITHUN CHAND - EXECUTIVE DIRECTOR, KAVERI SEED
COMPANY LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to Kaveri Seed Company's Q2 FY'26 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Please note that this conference call will be recorded.

Joining us today on this call is Mr. Mithun Chand – Executive Director.

Before we begin, I would like to mention that some of the statements made in today's call may be forward-looking in nature and may involve risks and uncertainties. For a list of such considerations, please refer to the Earnings Presentation. I would now like to hand the call over to Mr. Mithun Chand. Over to you, sir.

Mithun Chand: Thank you. Good evening and welcome everyone to our Q2 H1FY'26 Earnings Conference Call. We hope you had a chance to review the Presentation of our results, which is also available on our website.

I would touch upon the Operational and Financial Performance of the Company and then open the floor for question-and-answer session.

Revenue from operations registered a growth of 17.09% to Rs. 1,041.91 crore as compared to Rs. 889.85 crore in first half 2025. EBITDA was at Rs. 333 crore grown by 11.12% as compared to Rs. 299.68 crores in first half '25 Net profit was at Rs. 301.45 crore as compared to Rs. 279.41 crore in first half 2025, grown by 7.9%. Cash-on-book stands at Rs. 363 crores as against Rs. 559 crore. For Q2 FY'26, revenue from operations was at Rs. 96.61 crore. EBITDA was at Rs. 0.16 crore. Net profit was loss at Rs. 15.05 crore. Board has recommended 250% dividend i.e. Rs. 5 per equity share on a face value of Rs. 2 per equity



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share. The double-digit growth in revenue and EBITDA are very impressive.

Substantial increase in maize volume resulted in much higher growth in terms of its revenue, which shows its potential in overall non-cotton portfolio and also shows the strength of the Company in this segment. In spite of moderate volume growth in selection and hybrid rice, the realizations were higher. Maize volumes increased by 29.7% so as revenues increased by 56.76%. The contribution of new products to volumes of cotton is up from 11% to 36%. Cotton sales impacted by increased illegal cotton seed usage. Increase in cost of production of cotton seed impacted the profitability. Hybrid rice volumes increased by 0.9% and revenues increased by 21.48%. Selection rice volumes increased by 2.6% and revenues increased by 11.07%. Vegetable seed revenue increased by 31.06%.

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

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Yogesh Mittal who is an individual investor. Please go ahead.

Yogesh Mittal: A question about the vegetable seeds. Since last few years, we have increased the focus on the R&D and we also have a dedicated sales team for this. But the sales and this have not gained much traction in last few quarters. Can you please explain what the Company is taking initiatives for growth of the vegetable seeds? And how is the competitive landscape happening in this area?

Mithun Chand: Vegetable market is a very competitive market and it's a year-long business. And vegetables in the sense like there are many segments in vegetables, but majority of the segment is dominated by chili, okra and

tomato. These three contribute to majority of the revenues. As a company, we are very much focused on vegetables. As you rightly said, we have intensified our R&D team. We are much focused on few vegetables and we have a separate dedicated team. Yes, in last couple of years, we were not able to grow much as anticipated, but definitely we have grown in terms of vegetable seed business. Even this year, we have grown in terms of revenues. Going forward, we are very bullish on vegetables and definitely we will be achieving good growth in vegetables. And this year also, in the second half, we see a good growth in vegetables. In the first half, we have seen heavy rains. Even that has impacted a few amount of sales, but we are pretty optimistic about the second half.

Yogesh Mittal: Thank you, sir.

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

Dhruv Saraf: Hi, Mithun sir. I just wanted two answers. One is, what is the R&D spend for the quarter, sir?

Mithun Chand: For last year, the entire R&D spend was Rs. 60 crores odd. This year, the R&D spend, if you take in a quarter wise, it will be slightly here and there. But every quarter, we will be spending in between Rs. 15 crores to Rs. 20 crores. I am talking about only recurring expenses. Again, CAPEX is different. If you observe the balance sheet, there is an increase in the amount of depreciation also. Yes. So, that is one because we have set up a new office and this year, this quarter, we started the R&D facility also. So, both are impacting the depreciation.

Dhruv Saraf: Secondly, the employee and the other expenses have broadly grown at 14% in H1. So, does this continue for the rest of the year? Do we expect an increase or a decrease or at the same level?

Mithun Chand: It will be in between the 12% to 15% rise. One is that increments and the other is new headcount because as we are adding new crops and new people, new R&D facilities, that is how the costs are going up. That should be in between 12% to 15%, both combination of both increments and headcount.

Dhruv Saraf: Understood. Finally, inventory has gone up significantly on a year-on-year basis in the half-year balance sheet. Will there be further build-up in inventory going ahead or does it remain at the current level?

Mithun Chand: Last year, we had build-up inventory in anticipation of a good sale this year. Unfortunately, even though we have achieved the sale, but got not per our anticipation, especially in seeds like cotton. In cotton, we had build-up inventory, but because of illegal usage and the acreages were coming down, we have seen some sort of inventory, higher inventory, and we have produced some buffer stock because last year the entire inventory was cleaned up. So, in rice and maize also, we have some buffer stocks and inventory. This year, it will be high, but going forward, it should be in line with this year. It will not increase.

Dhruv Saraf: Okay, understood. I'll come back in the queue. Thank you.

Moderator: Thank you. The next question is from the line of Amit Doshi from Care PMS. Please go ahead.

Amit Doshi: Thank you. Sir, this cotton has again, Q1 also did not do well. Q2 also didn't do well. So, I wanted to understand in the inventory, which the earlier participant asked, what portion of it would be cotton and have we

taken, I mean, is it because illegal cottonseeds are cheaper? So, have we taken and you also mentioned that there is a higher cost of production of cottonseed. So, have we taken hit in the P&L towards that and the inventory is valued at the market price? How would the treatment go? Because trying to understand the impact on the margin, despite such a huge rise in the maize price revenue as well as volume growth?

Mithun Chand: Basically, we take the inventory cost at cost. We'll not take at the selling price. We'll take it at cost, cost incurred by the Company. And as a policy, whenever we write out, write it off the inventory, we take it in the balance sheets. So, all the inventory which is there in the books are saleable inventory and we are not worried about the inventory as it's all fresh production. In terms of cotton, the inventory stays for 3 to 4 years. So, we are not worried about that. Whereas in other crops also, the inventory, the cost of production has gone up both in maize and rice. But we were able to pass it on to the farmers in those segments. Whereas in cotton, it was a restricted one. So, we were not able to pass it on. So, that's the reason you see a huge rise in the revenues and the volumes. And as a maize as a crop is growing crop and we see a huge potential in maize going forward. And as a company, we are very much focused on maize and that's how the volumes are reflecting that growth. And even in the second half, you see a good growth in maize. And that will continue for at least 3 to 5 years.

Amit Doshi: Yes, okay. So, that's what my point was about the cottonseed. Since you cannot sell it beyond a point. So, if we already have a higher cost inventory, which we are not going to be selling at that same cost, then why don't we kind of take it, a hit?

Mithun Chand: No, we can sell it in the next years also, right?



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- Amit Doshi:** But the price is already high, right? So, basically just to understand, we are sitting on a high cost inventory, correct? Out of that 920 crores, there will be some portion which is cotton and which is a high cost inventory, at which price it is difficult to liquidate?
- Mithun Chand:** No, inventory, what I meant to say is that the cost of production was higher than last year, but definitely lower than the selling price.
- Amit Doshi:** Okay. That's what I wanted to confirm. Understood.
- Mithun Chand:** The margins have taken it. We are not getting any negative returns on that.
- Amit Doshi:** Okay. Exports, sir, can you share? How has been export? We were quite positive on exports. What portion is exports and if you can just give any color on that?
- Mithun Chand:** Compared to last year, we will do well in the exports. Exports will come in the third and fourth quarter, majorly. We will do better than last year. Last year, the base was also very much lower. But we will be growing at least like 25% to 30% more than last year. In fact, we should be in that Rs. 35 crores range this year in terms of exports. That will come in the 3rd and 4th quarters. Overall sale. And that we are going forward, going forward, year-on-year it will grow in terms of exports. Because we have tested in many countries, the results are very positive. And now we are getting new orders from different countries. But you know, as a seed business, it will be very minimal in the first few years, then it will increase. So, we are in the trialing and like initial stages. But year-on-year, we will definitely see growth in exports as well. Both in terms of the field crops and vegetables.



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Amit Doshi: Okay. So, Rabi season has already begun. If you can just give as to how the season is looking, especially because of extended monsoon? So, how the next two quarters are looking like, Rabi season?

Mithun Chand: Majority of the sale will come from maize. Maize sowing is not yet started. It is because of the, as rightly said, the extended monsoon. Now it will start now. Some areas it has already started. But now majority of the area will start in this month. So, we are very much bullish on May. And we have good inventories also. We have planned inventory for this Rabi. Anticipating good Rabi. So, we will see a good volume growth in Maize even in the second half.

Amit Doshi: Okay. Last time, sir, you had given guidance that Q2-Q3-Q4 will be better than last Q2-Q3-Q4. So, it's not the case in Q2. I mean, at least on the profitability front. How do you see Q3, Q4?

Mithun Chand: Even in the profitability front, if you take in EBITDA minus other income portion, we are positive. In terms of the percentage, even though Q2 is usually a lost quarter because it's just a spillover sale. Even in that occasion, if you take, even in that instance, if you take the EBITDA minus other income, even the other income is lower this year, in this quarter, when compared to previous quarter. And the depreciation was high. So, if you take out these components, in terms of the margins, even though it's negative margins, we have done better than this last quarter. And Q3, Q4 also will do better than the last two quarters, in both in terms of the revenues and in terms of the profitability.

Amit Doshi: Okay. Sir, dividend we announced Rs. 5. That has been the case historically. But at that time, we used to do even buybacks. Now with the buyback probably not happening going forward, going to that law amendment, so how are we trying to, or kind of rewarding the shareholder?

- Mithun Chand:** We'll have a separate discussion in the board after that, because this time we have the entire money. Even if you can see the balance sheet, the reserves and the money, it all went into inventory. So, that will be realizing in the next 6 to 8 months, majority of the inventory, then we'll take a call on that.
- Amit Doshi:** Okay. I'll join back the queue if any more questions. Thank you. All the best.
- Moderator:** Thank you. The next question is from the line of Sonaal Kohli from Bowhead. Please go ahead.
- Sonaal Kohli:** Hello, sir. Congratulations on your sales growth. After a pretty long period, it was very healthy in the first half. Sir, I have a question pertaining to the coming crop season. Because of the rains, do you expect the outcome can be different than what you may be thinking now? Can it postpone the consumption of seeds in any way? Or lead to a permanent dent in seed demand? Not only for you, but generally for the industry.
- Mithun Chand:** We don't see that as of now, because usually this year, we have seen an excess rainfall. And most of the crops were impacted in the first quarter itself. First quarter, which was a major for us and the sowing pattern also has taken a hit. For example, in rice, majority of the rice moved to the varietal rice this time. That's the reason we have not grown much in hybrid rice. So, the impact is already done. But whereas in the second half, there's one positive point is that all the tanks are full, the moisture levels are pretty good. So, we see good Rabi coming up. No doubt, the season got extended by, delayed by a week or two. But we don't see any threat as of now.



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Sonaal Kohli: So, sir, some parts of India are still going through rains. I mean, if this continues, like for a whole longer period then that would make you change your view. Would it make a difference?

Mithun Chand: We don't see that because now you don't get any monsoon now. If you get any, you get only cyclone rains. But earlier it was all monsoon rains. Monsoon is a continuous thing. Cyclones are once in a while. So, we don't see that now.

Sonaal Kohli: So, you don't see that, any dent in demand?

Mithun Chand: No.

Sonaal Kohli: Secondly, sir, in terms of your margins, your gross margins have been falling. While your product mix has improved because cotton hasn't done that well and I'm talking not only this quarter, but from a half yearly perspective, because I understand your business, looking on quarter-to-quarter doesn't make sense. But mostly from a 6-1 perspective, it still makes a lot of sense to, because this is like, the year is gone in terms of profitability. So, when you were expecting a margin increase, so what happened? What led to a lower gross margin and hence a lower EBITDA margin for you and how would you expect it to go forward?

Mithun Chand: Basically, if you take the margins, we are down by like 1.5% to 2% in terms of the EBITDA levels. But if you take the entire cost, I've gone to the cost of goods. The major portion, the 2%, 2.5% was rising the cost of goods. So, as I said, the production cost is up in both in cotton and non-cotton segments also. And there was a huge price rise and everything, we were not able to pass it on to the farmer. Majority of that, we have passed it on other crops. Cotton, we were not able to pass it on. But, this year was one of the year where we had taken a hit, but we'll definitely go back to our own previous profitable margins.



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Sonaal Kohli: So, sir, this cost increase is permanent in nature or do you expect the cost is falling or already started falling? Because you know, the cost increase has been going up for the last few years?

Mithun Chand: No, usually every year, not every year, but when you see a 3 to 5 year base, year-on-year, the cost of production definitely goes up as the grain price goes up. And we'll pass it on to the farmer. This year, the cost of production was up by more than 15% to 20%. That's the reason the entire cost was not passed out, passed to the farmer in one go. Because previous year, most of the companies were not having inventories and their production was very aggressive. This year, the cost will remain the same or will come down compared to last year.

Sonaal Kohli: So, sir, if I split it into cotton and non-cotton, were you able to pass on anything at all in cotton side?

Mithun Chand: Cotton, we were not able to pass it on. Cotton, we were not able to pass it on because the price remained there. Even though there was a few, like 3% increase in price, but practically, we were not able to pass it on to the farmer because the inventory was very high. There was full of inventory in the markets. The sentiment was not good for the farmer. The prices were not good, so that we were not able to pass it on in cotton. But in non-cotton segments, majority, like 2% here and there, but majority, we were able to pass it on to the farmer.

Sonaal Kohli: And because of this trade deal, there is a risk that the maize crop may come under a problem. Do you see anything like that? There is a lot of rumor that because of the US-India deal, if it happens, the maize crop may get impacted.

Mithun Chand: As of now, we don't see much, but when you see the Agriculture Ministry, if you can go back to the statement which was given a couple

of months back, a month or two, they wanted to double the maize production in the next five years. By 2035, they want to double maize production. So, because most of the ethanol crops have gone up now, most of the maize is going for the industrial usage. Earlier in India, more than 70%-80% was poultry. So, we don't see that sort of a trade. And if you see as an overall acreages also, this year, even in this market, with the heavy rainfall, the maize market overall acreage was up by 10%-12% at the Indian level.

Sonaal Kohli: So, this year, your revenue growth of 15% is possible according to you?

Mithun Chand: So, we've already grown at 17% in terms of revenue in the first half. Second half, definitely it will improve.

Sonaal Kohli: Okay, great. Thank you so much.

Moderator: Thank you. The next question is from the line of Siddhant from Goodwill. Please go ahead.

Siddhant: Yeah, hi. I just wanted a usual update on new GM crops. If there's any update from the government?

Mithun Chand: As of now, nothing. Nothing has moved in terms of the government. It stands still there. There's sort of confusion even with the U.S.-India trade deal also. Nothing is moving forward. So, we need to wait. We need to wait for some more time to get clarity on that.

Siddhant: Understood. Thank you.

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



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Anurag Jain: Good afternoon, sir. Congratulations on the good results. My query is that, like some of the other listed peers which have reported the results till now, they have shown flat or slightly negative sales growth, which shows that at the industry level, the industry is still not out of the low growth or flat era. So, what is happening at the industry level and what is the outlook for the seed industry for the next 1-2 years?

Mithun Chand: Basically, seed industry, when you're to a mid-to-long term range, it will definitely grow in terms of the seed segment. Yes, but which crop will grow, that is more important. What we see as of now is that the maize crop and rice. These are the two segments which will grow much faster. Maize will grow much faster and rice will also grow. Whereas cotton, we don't see that sort of a growth in terms of the segment. Companies who are dependent on 1 or 2 crops may suffer. That's the reason if you see our portfolio, we have a very diversified portfolio. We are not dependent on one crop. If you see, if you take our Company in the last 7-8 years, we were constantly saying that we want to decrease dependency on one crop. That's what we are seeing now. The cotton is less than 20%, whereas in earlier, it was more than 70%. So, in that way, we have balanced our portfolio well. Now we are also trying to increase revenues from vegetables and exports. We are de-risking ourselves from the entire seed industry, but overall, if you see, de-risking ourselves by depending on one crop, but overall, if you see, the industry is in very good shape and it will grow well going forward. And this year, there were many constraints in that one in terms of cotton crop and illegal BT, because there was no new technology was there. That's one part. There were heavy rains. Most of the time, the crop is damaged. The farmer was not able to sow the seeds. I mean to say, we were not having a good choice because already the season got delayed because of excess rain. So, there are many constraints in that. Even the chilli prices were not good earlier. Now the chilli prices are also good. These all impacted the

seed business. These are very short term things, but when you see in mid to long term, the seed industry will be very bullish. They say that by 2030, the hybrid seed market itself will be like \$6 billion from \$3 billion.

Anurag Jain: So, the current industry size is \$3 billion and it is expected to grow to \$6 billion for the Indian seed market by 2030?

Mithun Chand: Yes.

Anurag Jain: And sir, if you allow, what is the outlook for Jowar seeds, Bajra seeds, and vegetable seeds in the next five years?

Mithun Chand: Vegetables are doing well. Vegetables will definitely grow going forward. Vegetables are a very big market. Year-on-year, the vegetables are growing at more than 18% to 20% hybrid vegetable markets. So, that's a very good market to be in. Whereas in Bajra and Jowar, there are very limited markets and stagnated markets. Bajra is a bigger market than Jowar. So, we are also releasing hybrids in Bajra. Even that revenue will also come in the next 2 to 3 years.

Anurag Jain: And so there were some smaller like oilseed segments, sunflower seeds, and mustard seeds. How are they doing?

Mithun Chand: These are very small markets. When you talk about mustard, sunflower, we are there in both the crops. In sunflower, we are in the top three segments. But the market is very small. And mustard, we have started doing well in mustard. In terms of only in mustard segment, we have grown by more than 40% year-on-year with a small base. But going forward, mustard will also do well. But there are very limited and small markets. The biggest markets in India are maize, rice, and cotton, these vegetables. These four contribute more than 85% of our total seed market.



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Anurag Jain: And mustard seed market is also a small market like sunflower? Or this should be much bigger than sunflower seeds?

Mithun Chand: Mustard is slightly better than sunflower.

Anurag Jain: Thank you.

Mithun Chand: But mustard, it's all varieties. But we are concentrating on hybrids. That is a very small market. It is picking up now. And government is also focusing on mustard cultivation. So, that's another advantage for that.

Anurag Jain: And just one followup. For the cotton seed, there was some expectation that government will allow the new technology. So, is there any development on that? On the cotton seeds front?

Mithun Chand: As of now, nothing. Like in the last 5-6 months, all the negotiations and talks are all standstill. But once the US and India trade deal is done, then they may talk on it. But no one is taking a call on that. But as Kaveri even though we have done very low in cotton going forward, with our new technologies also, we have very good hybrids which we have already tested last year. And now the hybrids are already on ground now, which are giving very good results. Kaveri will grow in terms of cotton as well.

Anurag Jain: Thank you, sir.

Moderator: Thank you. We have the next question from the line of Dhruv Saraf. Please go ahead.

Dhruv Saraf: Sir, you mentioned that 36% of cotton sales are from new products. So, going ahead into next year, how do you see scaling these products up? Have they possibly seen good response? And can we imagine the sales going ahead in the same 1 year or 2 years?



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Mithun Chand: Majority of the revenues, we say anything in the first 5 years as new products. Majority of the sales in the cotton, most of the crops are in the 2nd and 3rd year. And some are in the 1st year also. So, going forward, majority of the contributions will be from the new products.

Dhruv Saraf: And any feedback that you got? On ground feedback about your products? How they are doing?

Mithun Chand: Cotton as of now, it's like 100-120 days. Crop is really doing well.

Dhruv Saraf: Okay, sure. Thank you.

Moderator: Thank you. The next question is from the line of Amit Doshi from Care PMS. Please go ahead.

Amit Doshi: Sir, you mentioned that vegetables are very strong or whatever. It's growing very fast, 18%-20%. We are also doing well. But the size or the contribution that we have is extremely low. So, why is that our numbers are so low considering that the market is so huge and we have good R&D spend in the vegetable seed space as well?

Mithun Chand: Vegetable market is a big market. It's a growing market year-on-year. But to be more successful, we need to have better product which can beat the competition. So, in that way, we are putting our effort there. Now the pipeline hybrids are good and we are scaling up the revenues in vegetables. You know that seed industry, the research itself takes 8-10 years to get a good product. So, it is taking time. But most of the varieties or hybrids are there in trialing segment. Some are doing well. Definitely, we will increase our revenues in vegetables.

Amit Doshi: Okay. So, how many new products are in pipeline as far as vegetables are concerned? Because you mentioned in cotton, you have significant



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and by FY'28, you will have all the new products in the cotton segment. But about the vegetables, if you can share.

Mithun Chand: Vegetable is also, most of the products are new products because we have launched all the products in the last couple of years. And every year, we are launching and trying new hybrids. So, most of the sales are from new hybrids. And vegetables, there are many. Vegetables, there are tens of vegetables in that. So, we have many varieties of vegetables in the pipeline. And mainly in like okra, chilli, goats, and tomato. So, we are breeding more in these crops and most of the hybrids will be in these crops.

Amit Doshi: Okay. Sir, you mentioned that in maize etc., there is a huge price jump that we have seen because of inventory probably at the industry level was low. So, do we see this receding in the next year, coming year, for maize because of price hikes?

Mithun Chand: I've already commented on that. This year, the prices for sure, it will not go up than last year. In some crops, it's lower than last year.

Amit Doshi: It will be lower than last year. Okay. Sir, any update on that tax matter?

Mithun Chand: So, we've seen the appeal. Once it gets any, once we get any sort of communication, that will be disclosed.

Amit Doshi: Okay. And any discussion on that we were trying to, with this new tax bill etc., anything that, we can get a clarity about?

Mithun Chand: That has become a continuous effort from our side of the seed industry. But the decision, we have not seen any decision coming in our favor or not in our favor, but it's still pending there.

Amit Doshi: Okay. Thank you.



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Moderator: Thank you. We have the next question from Jasmit, an individual investor. Please go ahead.

Jasmit: Hello. So, in percentage terms, what is the decline in the sale of cotton volumes? And also, according to you, when do you think the market will normalize? Or is there any other hybrid that can compete with the illegal variety that is being sold in the market currently?

Mithun Chand: In terms of the cotton, we are down by more than 20% in terms of the volumes. In terms of the volumes, in terms of the illegal market, as of now, we don't see that it will go up next year. But governments are most, all the state governments and central government is taking a view on how to cut down illegal BT. But we are not afraid of that because that's not legal and we can't fight with those things in the market.

Jasmit: Right. And in terms of hybrid paddy, was there also any other reason apart from restrictions in Punjab that has impacted the volumes?

Mithun Chand: So, if you see, hybrid volumes are up by 2%-3%. Even though we lost like 500 tons in Punjab, we have gained in other markets. If you see overall hybrid market, the markets are down compared to the previous year. The acreages were down because of the heavy rains. But this is a very short term thing. Going down the line, hybrids will definitely come in, will take major share in rice.

Jasmit: So, the main reason is lower acreages only?

Mithun Chand: The main reason is lower acreages. Lower acreages in the sense like hybrid market. Most of the hybrids move to varieties this year because of excess rates.



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- Jasmit:** And sir one more thing I asked, do we have any hybrid that can counter the illegal... that can have the similar characteristics to the illegal seed of cotton that is being sold?
- Mithun Chand:** No. That's what I answered. But illegal, we can't compete with it because these are illegal technologies which are there in the market. As a Company, we don't enter into illegal things. The technology is illegal.
- Jasmit:** Okay. Thank you.
- Moderator:** Thank you. The next question is from the line of Yogesh Mittal in Individual Investor. Please o ahead.
- Yogesh Mittal:** Sir, thank you for giving me the opportunity again. Sir, I have heard in the call a few times that it takes about 7 years to 8 years to launch a new seed of any variety. So, just wanted to clarify that do we mean to say that suppose any new seeds have been launched in this year say for example the research and development and the development of process started about 7 years to 8 years ago on those? Is that right thing to understand?
- Mithun Chand:** Yes. Because it's a continuous activity. We get many hybrids. We test on many things. It will take so much time. Based on the need and for that we sometimes fast track it. The basic time is like 6 to 7 years. And higher the research spend, higher the amount time you spend on it the more the chance of getting hybrids.
- Yogesh Mittal:** So, on the costing part of it do we understand that any cost being incurred to develop any new seed for last 7-8 years or continuing even now those are being captured in the P&L? And the actual cost of that seed which will be for the actual production when it is sold, it is put in the cost of goods sold?



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- Mithun Chand:** We don't capitalize anything. We just expense it out every year as and when required.
- Yogesh Mittal:** Yes. I was saying the same thing like R&D expense is basically expensed off and the actual cost of the seed is captured in the cost of goods sold when it is actually ready to sell.
- Mithun Chand:** Yes. When it is produced it is there in the cost of goods when it is in the research stage it is expensed out as R&D.
- Yogesh Mittal:** Okay, thank you.
- Moderator:** Thank you. The next question is from the line of Balaji who is an individual investor. Please go ahead.
- Balaji:** Sir, good evening. Sorry, I am in traffic. My voice might not be audible. Sir, have one question regarding tax. Is there any update regarding tax demand we have received from Commissioner of Tax?
- Mithun Chand:** We are there in the appeal stage and the entire thing is already disclosed to exchanges. As of now we have not received any fresh demand or fresh any objection from there. Or any adverse or favorable in that matter.
- Balaji:** Sir, I have another question. Regarding recent floods in Andhra, Telangana, so does it have any impact on our receivables, are we directly impacted, is there any impact on our receivables?
- Mithun Chand:** Sorry?
- Balaji:** Recently there are floods in Telangana, Andhra Pradesh, so does it have any impact on our receivables, sir?
- Mithun Chand:** Not much. We don't have any, regarding these floods, we don't see any impact on the receivables.

- Balaji:** Okay. Sir, I have another thing, sir. As my understanding, we lease some agricultural land, we produce hybrid seeds, then we sell in market, so is that a type of flood situation, does it have any impact on our inventory, sir?
- Mithun Chand:** In terms of the production, we do take production in areas, when these types of rains are there, we are also part of it, even that is impacted. That is the reason we de-risk our production model, because we give it in many states and many seasons. So, that's a continuous activity, somewhere here or there, but as of now we don't see much of impact, because most of the crops are not sown yet.
- Balaji:** Yes, sir. We are diversifying in other non-cotton products, sir, but as seen in presentation, sir, maize production is almost, it has increased drastically. Is it sustainable in the future, sir? Is it seen area-wise or in value-wise?
- Mithun Chand:** We see a good potential in maize crop and we don't see any threat in maize crop at all. And we are very much bullish on maize and most of the hybrid in maize are coming in the next few days, so we are not worried about that. In fact, we are very bullish and optimistic on that.
- Balaji:** Sir, there is any impact on inventory returns, sir? As seen in our cash flow statement, almost in inventory we have positive, which we got cash flow, but in receivable we are in negative. This year compared to previous year, in cash flow operation we are in negative side. So, does any impact on our inventory, sir?
- Mithun Chand:** No, because as I told earlier, we have produced more this year because most of the inventory levels were low and some we were not able to sell in the Kharif, especially in cotton. Other we have produced as a buffer



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stock and everything will get normalized in next 2 or 3 quarters, 6 to 9 months it will get normalized.

Balaji:

Thank you, sir. That's all from my side. Thank you very much, sir.

Moderator:

Thank you very much. Ladies and gentlemen, that was the last question. Thank you all for joining this conference call. For any further information, please be in touch with Mr. Rama Naidu from Intellect PR on 9920209623. On behalf of Kaveri Seed Company Limited, that concludes this conference call. Thank you all for joining us and you may now disconnect your lines. Thank you.