



kaveri seed company limited

28th Annual General Meeting

Chairman's Speech

29th September, 2015

Dear Shareholders,

Good day to all our shareholders attending the 28th Annual General Meeting.

On behalf of the Board of Directors of Kaveri Seed Company Limited and as Chairman of the Board and Managing Director of the Company, it is my privilege and honor to extend a very warm welcome to all of our shareholders to this 28th Annual General Meeting being held on this day of 29th September 2015. At the outset, the Directors and I, take this opportunity to compliment each one of the share holder, customers, dealers, distributors, business associates and employees for their continued support and co-operation.

The year 2014-15 has been a challenging one, under pinned by lower farm income, delayed monsoon and depressed crop prices. Nonetheless, we topped KSCLs prior year performance on all operational and financial parameters by achieving higher revenue, profit, volumes and successfully launching new products. Superior quality seeds supported by an advanced R&D program have been the cornerstone of our success. Kaveri Seeds is poised very favorably in the seed industry hitting the right milestones at the right juncture judiciously developing its human capital, R&D, infrastructure, distribution, product portfolio and skilled farmer network.

Economic Scenario:

The overall economic health of the nation improved in FY15 after the sluggish performance of the previous two years. The Indian economy reported a growth of 7.3% in FY15. The government attained a fiscal deficit of 3.1 per cent of GDP on a targeted fiscal deficit at 4.1 per cent. The Business confidence index and Consumer confidence index also showed signs of promise.

The Union Budget of 2015 placed sharper focus on agriculture. Three important budgetary provisions that will positively impact agriculture are i) Financial support for irrigation and soil health. ii) Raise in agricultural credit. iii) Unified national agricultural market to fetch a fair price for the farm produce. Specific to seed sector, extension of irrigation and improved soil health will pave the way for greater demand for quality seeds of high-yielding hybrids and varieties of three major food basket crops - rice, wheat and maize.

Financial performance:

The growth trend in our financial performance has continued. While sustaining the revenue growth, we have improved our operating profitability. At a consolidated level, our revenue in the year stood at Rs.1161.23 Crores as compared to Rs. 1011.10 Crores in the previous year, an impressive growth of 15%. We continue to maintain strong discipline and governance around capital allocation and expenditure. Our Consolidated PAT for FY15 was at Rs.300.95 Crores as compared to Rs.208.95 Crores in FY14.

We are cognizant of the high cash figure on our books. As far as the usage of cash is concerned, we are judiciously and cautiously looking to create long term shareholder value. Distributing value to our shareholders is a corporate philosophy. I am happy to state that the Board of Directors of the company approved a total dividend of Rs.7.50 per equity share in FY15, amounting to a strong payout ratio of 17%.

Strategic Drivers:

Your company has undergone a concerted growth transformation from a corn only player to one of the largest cotton seed developer and a multi-crop player. I am happy to share, that we continue to maintain our dominant position and grow our market share. The foundation of our model rests on highly advanced R&D program based on gene rich elite germplasm, a diversified portfolio, growing brand equity, best-in-class operating model, strong financial profile and human capital.

Farmer prosperity is central to our business objective. Right from inception we pursued seed innovation and focused on instilling confidence amongst farmers through Kaveri's high performing hybrid seed across crops. Over the years we have positioned ourselves credibly in the market place and that has enabled us to capture market share in newer geographies and segments. Success lies in reaching out to the farmers at the right time with the right product. Your Company entered the Indian Bt cotton seed market in 2007 and introduced - two products namely 'Jadoo' and 'Jackpot' in 2009, which have helped to garner a sizable market share, created brand equity among farmers and led to farmer prosperity. Your Company is focused equally on other non-cotton crops like Rice, Corn and Bajra, which recorded strong growth in the last 4 years.

Market presence is being extended to northern, eastern and western geographies. Further, through strategic initiatives to revamp the market network and the supply chain the Company anticipates strong traction in new markets such as Chhattisgarh, Jharkhand, West Bengal and Odisha.

Outlook:

- i) **Cotton:** In the back drop of phenomenal success with Jadoo the company garnered dominant share of cotton market in Andhra Pradesh and consolidating it in Telangana. A similar opportunity beckons in the states of Maharashtra and Gujarat. Going forward, the Company plans to increase its market share in Gujarat through 'ATM'. The company's new hybrid 'Three-by-One' bred for high density planting received positive feedback and soon we will commence commercial sale.
- ii) **Maize:** Kaveri with a portfolio of 34 corn hybrids- 50% of which are single cross, enjoys dominant position in the key markets of Andhra Pradesh and Karnataka. The company plans to consolidate the number by phasing out extant hybrids and introduce new hybrids.
- iii) **Hybrid paddy:** Understandably, hybrid rice is under penetrated in India (~5% of total area planted to rice). Currently the company has six hybrids in its supply chain, three of which are notified (KPH 199, KPH 371 and KPH 460). The Company plans to sell these and take advantage of government program in Hybrid Paddy.
- iv) **Vegetable Seed:** Vegetable seed is one of the fastest growing markets in India - estimated around Rs.1500-2000 Crores. Currently, Vegetables contribute to a negligible part of our business. Going forward, we plan to focus on vegetable seed business by expanding the existing outfit.

Recognitions: With all humility, I am pleased to share that your company during the year has been accredited with noteworthy recognitions. Your company has been recognized for the fourth time in the Forbes Listing Under Top 200 Companies 'Best Under a Billion in Asia Pacific Region'. Furthermore, the Chairman of your company is recognized as Best CEO: Agriculture & Allied' for Mid-sized companies by Business Today magazine. Such rewards and recognitions reflect our collective working towards excellence and you all deserve congratulations for being partners in this glory.

Conclusion: To wrap up, I strongly believe we are on a firm footing ready to face any challenges and look forward to better our performance with an eye on creating value for shareholders. The structural and organizational changes brought in the recent past with in different function of the Organization will surely lead the next quantum leap in business.

Before I conclude, I wish to express my appreciation to the Team Kaveri for driving continued success and growth. I place on record our sincere thanks to Kaveri team - growers, dealers, distributors, business associates and last but not the least the employees of Kaveri, who gave their best to the growth of the company. Finally, my gratitude to all our shareholders, for their unwavering support. I trust, you share our excitement about Company's performance and the way KSCL is building on it successful past to "**Lead the Future**". Thank you for your continue support and faith in our company.

Sincerely,

Sd/-

G V BhaskarRao

Chairman & Managing Director