

Top 20 Series: Rank 5: Kaveri Seeds: Strengthening structural drivers

13 October 2015 | Features | By BioSpectrum Bureau

Top 20 Series: Rank 5: Kaveri Seeds: Strengthening structural drivers



Organization: Kaveri Seed Company Ltd CMD: GV Bhaskar Rao Bioscience Revenue: Rs 680 crore

Kaveri Seeds, named after Cauvery river, has a good 2014-15 with an income of Rs 680 crore for its Bt cotton business. This company produces and markets around 50 varieties of hybrid seeds. The majority of its seeds are for corn, paddy, cotton and sunflower. The company is getting ready to introduce another 50 hybrid seeds.

Kaveri has a strong presence in the hybrid cotton segment - with little over 16 percent share. The company expects that this could increase to 19 percent in 2015-16, aided by higher realization in other key cotton-growing states such as Andhra Pradesh and Telangana.

Kaveri Seeds is planning to launch corn hybrids in 2015, particularly in central and north India. This should help the company gain market share in the current year. Over the years, Kaveri Seeds has undergone a concerted growth transformation from a corn only player to one of the largest cotton seed developer and a multi-crop player.

During the year, Kaveri Seeds launched nine new hybrids in different crops that are progressively becoming more accepted in the market. The growth trend in the company's financial performance has continued. Kaveri Seeds has maintained its revenue growth and has also improved its operating profitability. At a consolidated level, revenue for the year stood at Rs 1,161 crore as compared to Rs 1,011 crore in the previous year, an impressive growth of 15 percent.

EBITDA was at Rs 325 crore in FY15 as compared to Rs 230 crore in FY14. The company's consolidated PAT for FY15 was

at Rs 301 crore as compared to Rs 209 crore in FY14. Providing the outlook for 2015-16, the company says on a near term basis the cotton sector faces headwinds in the form of lower cotton seed inventory, discounted selling by unorganized players and MRP cut by Maharashtra government. Anticipation of a weak monsoon also makes farmers hold their purchases.

Further, decline in cotton prices have resulted in shifts in favor of other crops, thereby, effecting a decrease in cotton acreage under production for the coming year. However, the company believes the long term cotton story remains intact with the advent of herbicide tolerance, highdensity planting and mechanical harvesting.

On the non-cotton side, rising demand for corn and higher seed penetration of hybrid paddy remain the key drivers. Going forward, the structural drivers of Kaveri will continue to strengthen - benchmark R&D program to successfully launch new hybrid seeds, de-risked portfolio with growing non-cotton seed sales, expansion in new geography and growing farmer acceptance across the country, says the company.