

India
ADD (no change)

Consensus ratings*: Buy 9 Hold 2 Sell 0

Current price:	Rs577
Target price:	Rs733
Previous target:	Rs781
Up/downside:	27.0%
InCred Research / Consensus:	-3.3%
Reuters:	KVRI.BO
Bloomberg:	KSCL IN
Market cap:	US\$468m
	Rs34,783m
Average daily turnover:	US\$3.3m
	Rs245.0m
Current shares o/s:	60.3m
Free float:	44.5%

*Source: Bloomberg

Key changes in this note

➤ Na



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(22.6)	(25.2)	(4.5)
Relative (%)	(26.3)	(32.7)	(34.1)

Major shareholders	% held
Promoter & Promoter Group	55.5
Massachusetts Institute of Technology	2.8
Vantage Equity Fund	2.7

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Kaveri Seed Co Ltd

Hit by rise of illegal HTBT cotton seeds

- 1QFY22 was impacted firstly by the increased sales of illegal HTBT cotton seeds and secondly, by the loss of government business in maize seeds.
- Healthy growth seen in segments other than cotton and maize.
- Maintain Add, with a revised TP of Rs733 (Rs781 earlier).

Weak results due to impact of increased use of illegal HTBT seeds

The company came out with a weak set of numbers, below estimates, as increased sales of illegal seeds affected the top-line. The operations of the company faced major hurdles as a lot of produce could not be picked up by the farmers due to logistical problems. The company registered a sales degrowth of 12.4% YoY to Rs6,298 mn due to loss of sales volume in cotton seeds to the tune of 29% and in maize seeds to the extent of 18.3%. Healthy growth was seen in all the other segments, including vegetables, which witnessed a revenue growth of 23% YoY. Further, a provision for bad debts against dues of a state government relating to FY20, amounting to Rs149mn, affected profitability.

Segment details

Cotton - Volumes fell by 29% YoY. The company gained market share in Gujarat & Haryana, while it lost in Andhra Pradesh, Telangana & Karnataka. It is estimated that 15% of cotton used during the season was illegal HTBT. **Hybrid Rice** - Volumes grew by 33% and revenues by 43% YoY. Introduction of new hybrid 7299,471 & 473 varieties helped in strong growth in the segment. **Selection Rice** - Volumes grew by 5% and revenues by 15% YoY. **Maize** - Volumes decreased by 18% and revenues by 8% YoY. Major loss of revenue was due to no government business as compared to Rs175mn in 1QFY20. **Vegetables**- Revenues increased by 22% YoY. Major growth driven by Hot Pepper, Gourds & Okra.

Share buyback on Hold

The company states that there has been no change in its policy of rewarding the shareholders and it will not retain more cash than what is required on the books. However, the company is looking at an acquisition and is in the early stage of talks for the same. The acquisition could be in line for a new product or technology addition.

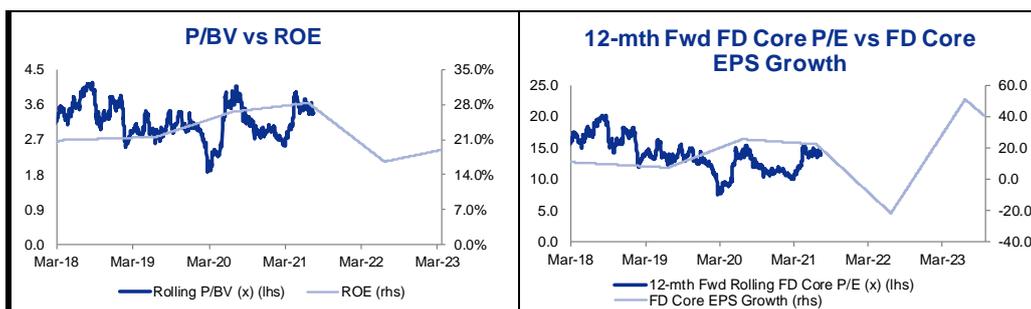
Maintain Add with a lower target price of Rs733

We decrease our FY23F revenue and PAT estimates by 6.5% & 6.2%, respectively, to arrive at a TP of Rs733, at 12x FY23F EPS. Risks: In India, the seed business falls under the jurisdiction of state governments. There have been cases where price controls were imposed on cotton seeds, making regulatory action the sector's biggest risk. The second big risk is weather – India's monsoon season. A poor monsoon in the country will be bad for agriculture, and hurt seed sales. The third risk is the spread of illegal technology, as it happened in case of HTBT cotton seeds.

Financial Summary

	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue (Rsm)	9,302	10,363	9,702	12,488	14,022
Operating EBITDA (Rsm)	2,532	2,980	2,355	3,796	4,286
Net Profit (Rsm)	2,608	3,119	2,441	3,684	4,105
Core EPS (Rs)	42.2	51.7	40.5	61.1	68.0
Core EPS Growth	25.6%	22.4%	(21.7%)	50.9%	11.4%
FD Core P/E (x)	13.65	11.15	14.25	9.44	8.47
DPS (Rs)	3.1	3.9	3.0	4.6	5.1
Dividend Yield	0.65%	0.67%	0.52%	0.79%	0.89%
EV/EBITDA (x)	12.21	9.62	9.81	5.17	3.79
P/FCFE (x)	11.73	116.63	10.13	9.05	9.23
Net Gearing	(0.2%)	(1.0%)	(33.5%)	(45.1%)	(52.2%)
P/BV (x)	3.63	2.80	2.05	1.71	1.45
ROE	26.5%	28.3%	16.6%	19.7%	18.5%
% Change In Core EPS Estimates			(0.30%)	(0.06%)	(0.03%)
InCred Research/Consensus EPS (x)			0.77	1.00	1.02

SOURCES: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Total Net Revenues	9,302	10,363	9,702	12,488	14,022
Gross Profit	4,498	4,957	4,447	6,129	6,882
Operating EBITDA	2,532	2,980	2,355	3,796	4,286
Depreciation And Amortisation	(257)	(222)	(224)	(253)	(190)
Operating EBIT	2,275	2,758	2,131	3,544	4,097
Financial Income/(Expense)	(5)	(5)	(1)		
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	456	457	420	299	225
Profit Before Tax (pre-EI)	2,727	3,210	2,551	3,843	4,321
Exceptional Items					
Pre-tax Profit	2,727	3,210	2,551	3,843	4,321
Taxation	(127)	(98)	(119)	(159)	(216)
Exceptional Income - post-tax					
Profit After Tax	2,599	3,112	2,431	3,684	4,105
Minority Interests	9	7	10		
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	2,608	3,119	2,441	3,684	4,105
Recurring Net Profit	2,608	3,119	2,441	3,684	4,105
Fully Diluted Recurring Net Profit	2,608	3,119	2,441	3,684	4,105

Cash Flow

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
EBITDA	2,532	2,980	2,355	3,796	4,286
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(529)	(542)	(973)	(111)	325
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	442	261	270	299	225
Other Operating Cashflow	(395)	(69)	1,837	(78)	(874)
Net Interest (Paid)/Received	(5)	(5)	(1)		
Tax Paid	(129)	(106)	(119)	(159)	(216)
Cashflow From Operations	1,917	2,519	3,369	3,748	3,746
Capex	(520)	(391)	(200)	(200)	(200)
Disposals Of FAs/subsidiaries	14	2			
Acq. Of Subsidiaries/investments	1,594	(1,780)			
Other Investing Cashflow	38	(4)	270	299	225
Cash Flow From Investing	1,125	(2,173)	70	99	25
Debt Raised/(repaid)	(8)	(47)	(5)	(5)	
Proceeds From Issue Of Shares	(2,404)				
Shares Repurchased					
Dividends Paid	228	238	182	276	308
Preferred Dividends					
Other Financing Cashflow	(830)	(481)	1,970	(653)	(699)
Cash Flow From Financing	(3,014)	(291)	2,147	(381)	(391)
Total Cash Generated	27	55	5,585	3,466	3,379
Free Cashflow To Equity	3,033	298	3,434	3,843	3,770
Free Cashflow To Firm	3,046	350	3,439	3,848	3,771

SOURCES: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Total Cash And Equivalents	81	141	5,706	9,173	12,552
Total Debtors	1,180	1,057	1,223	1,300	1,460
Inventories	7,282	7,195	4,031	4,704	5,282
Total Other Current Assets	311	293	437	562	631
Total Current Assets	8,853	8,686	11,397	15,739	19,924
Fixed Assets	2,677	2,765	2,741	2,688	2,698
Total Investments	3,839	5,990	5,990	5,990	5,990
Intangible Assets					
Total Other Non-Current Assets	401	2,178	340	137	154
Total Non-current Assets	6,916	10,933	9,070	8,815	8,842
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	5,886	6,881	3,167	3,920	4,402
Other Current Liabilities					
Total Current Liabilities	5,886	6,881	3,167	3,920	4,402
Total Long-term Debt	58	11	6	1	1
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	58	11	6	1	1
Total Provisions	236	274	266	297	315
Total Liabilities	6,180	7,165	3,439	4,218	4,717
Shareholders Equity	9,587	12,444	17,008	20,316	24,030
Minority Interests	2	10	19	19	19
Total Equity	9,589	12,454	17,027	20,335	24,050

Key Ratios					
	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue Growth	14.9%	11.4%	(6.4%)	28.7%	12.3%
Operating EBITDA Growth	19.7%	17.7%	(21.0%)	61.2%	12.9%
Operating EBITDA Margin	27.2%	28.8%	24.3%	30.4%	30.6%
Net Cash Per Share (Rs)	0.38	2.16	94.49	152.03	208.04
BVPS (Rs)	158.91	206.27	281.92	336.75	398.32
Gross Interest Cover	484.13	546.08	3,431.71	21,359.68	32,925.79
Effective Tax Rate	4.7%	3.1%	4.7%	4.1%	5.0%
Net Dividend Payout Ratio	8.7%	7.5%	7.4%	7.5%	7.5%
Accounts Receivables Days	39.76	39.39	42.88	36.87	35.92
Inventory Days	489.81	488.74	389.88	250.69	255.24
Accounts Payables Days	404.52	431.00	348.95	203.40	212.70
ROIC (%)	39.8%	44.8%	30.7%	60.6%	71.1%
ROCE (%)	22.6%	24.6%	14.3%	18.8%	18.3%
Return On Average Assets	16.7%	17.6%	12.1%	16.4%	15.4%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2020, Anti-Corruption 2020

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BH** - Good, n/a, **BJC** – Very Good, n/a, **BLA** – Excellent, Certified, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Very Good, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Very Good, n/a, **DELTA** - Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, n/a, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** - Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – Excellent, Declared, **JMT** – Very Good, Declared, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – n/a, n/a, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – n/a, n/a, **OR** – n/a, n/a, **ORI** – Excellent, Certified, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RBF** – Good, n/a, **RS** – Excellent, n/a, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – n/a, n/a, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – n/a, n/a, **SHR** – Very Good, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Declared, **SPRC** – Excellent, Certified, **SSP** - Good, Declared, **STEC** – n/a, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, n/a, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, n/a, **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TMB** - Excellent, Certified, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2020 from Thai Institute of Directors Association (IOD)

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Stock Ratings

Definition:

Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.