

India

ADD (no change)

Consensus ratings*: Buy 8 Hold 2 Sell 0

Current price:	Rs510
Target price:	Rs831
Previous target:	Rs733
Up/downside:	62.9%
InCred Research / Consensus:	14.7%
Reuters:	KVRI.BO
Bloomberg:	KSCL IN
Market cap:	US\$413m
	Rs30,795m
Average daily turnover:	US\$3.6m
	Rs270.3m
Current shares o/s:	58.9m
Free float:	42.7%

*Source: Bloomberg

Key changes in this note

- Downgrade PAT estimates by 5%/2%/1% for FY22F/FY23F/FY24F.
- Roll forward TP to FY24F.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(7.9)	(21.4)	0.0
Relative (%)	(7.0)	(28.2)	(28.1)

Major shareholders	% held
Promoter & Promoter Group	57.3
LIC	4.7
Massachusetts Institute of Technology	3.3

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Kaveri Seed Co Ltd

Dismal sales in government segment

- The disappointment continued in 2QFY22, with the loss of government business in maize seeds and no solution in sight to illegal HTBT cotton seeds.
- Healthy growth witnessed in all segments barring government-based segment.
- We reiterate our ADD rating on the stock and roll forward TP to FY24F.

Weak results due to loss of business in government segment

Kaveri Seed Company Ltd came out with a weak set of 2QFY22 numbers, below expectations, as it missed out on government business in the maize segment. Around 2,500mt of maize seed sales to Rajasthan, Madhya Pradesh and Maharashtra governments got delayed on the tender front itself. Covid second wave in these states was the reason for the delay. With maize prices firm, these orders should be back next year, in our view.

Segment-wise details

Cotton - Volumes in H1FY22 were down ~24.6%, revenues fell 26.6%, gained cotton seed market share in Gujarat and Haryana, lost sales in Andhra Pradesh, Telangana, Karnataka and Maharashtra, and the contribution of new products declined from 35.23% to 20.39% in volume terms. Maize - volumes decreased ~30.6%, revenues fell 19.38%, strong improvement in contribution from new products - up from 40mt to 500mt yoy. Hybrid Rice - revenues grew 44.4% in H1FY22, and the contribution of new hybrids rose from 67.1% to 75.2%. Selection Rice - Revenues grew 15.6% in H1FY22, and the contribution of new products rose from 17.6% to 19.9%. Vegetables - sales revenues increased 16.95%, and the contribution from vegetable new hybrids went up from 71.6% to 99.9%.

Illegal HTBT cotton seeds problem remains

Genetic Engineering Appraisal Committee (GEAC), a central government body, has still not approved HTBT cotton for commercial production. Hence, the sales of illegal HTBT cotton seeds will continue, although the growth might not be as steady as it was seen in the current season.

Reiterate ADD rating with revised TP of Rs831

We downgrade our PAT estimates by 5%/2%/1% for FY22F/FY23F/FY24F, respectively, assuming lower business revenues and higher-than-expected operating costs. We reiterate our ADD rating on the stock and rollover of TP to FY24F, with a revised TP of Rs831 (from Rs733 earlier), at 12x FY24F P/E. The developments regarding HTBT cotton seeds need to be closely watched going ahead. Downside risks: In India, the seed business comes 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 vagaries of the weather – India's monsoon season. A poor monsoon 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	9,858	12,368	14,014
Operating EBITDA (Rsm)	2,532	2,980	2,172	3,727	4,258
Net Profit (Rsm)	2,608	3,119	2,333	3,618	4,078
Core EPS (Rs)	42.2	51.7	39.1	61.4	69.2
Core EPS Growth	25.6%	22.4%	(24.3%)	56.9%	12.7%
FD Core P/E (x)	12.08	9.87	13.04	8.31	7.37
DPS (Rs)	3.1	3.9	2.9	4.6	5.2
Dividend Yield	0.73%	0.76%	0.58%	0.90%	1.02%
EV/EBITDA (x)	10.92	8.28	9.96	4.77	3.39
P/FCFE (x)	10.39	103.26	9.37	7.77	8.09
Net Gearing	(0.2%)	(1.0%)	(19.9%)	(36.3%)	(45.7%)
P/BV (x)	3.21	2.47	2.11	1.72	1.42
ROE	26.5%	28.3%	17.5%	22.8%	21.1%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)			0.86	1.04	1.03

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly consolidated summary

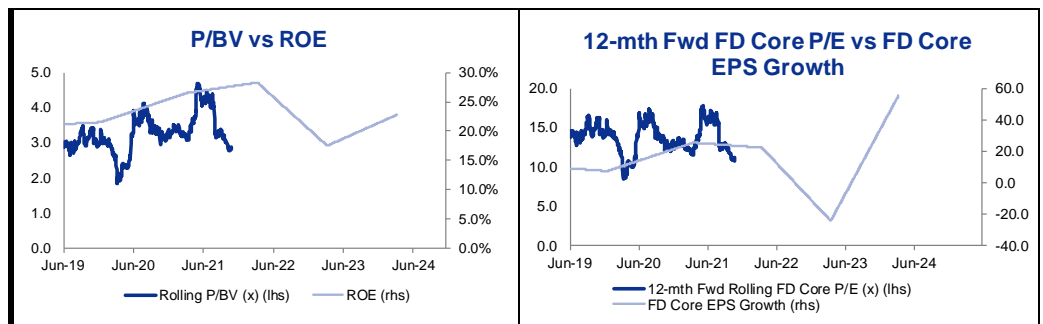
Rs m	2QFY22	1QFY22	%QoQ	2QFY21	%YoY
Revenues	1,476	6,298	-77	1,340	10
Cost of Goods Sold	914	3,519	-74	771	19
Employee Expenses	227	203	12	210	8
Other Expenses	270	580	-53	193	40
EBITDA	64	1,996	-97	167	-62
Depreciation	50	48	4	56	-10
EBIT	14	1,948	-99	111	-87
Other Income	151	151	0	105	45
Interest Expenses	0	0	NA	2	NA
Profit Before Tax	165	2,099	-92	214	-23
Tax Expenses	37	52	-29	-20	NA
Profit After Tax	128	2,047	-94	234	-45
Key Ratios	2QFY22	1QFY22	QoQ	2QFY21	YoY
EBITDA Margin	4.3	31.7	(2,735 bp)	12.4	(809 bp)
EBIT Margin	1.0	30.9	(2,997 bp)	8.3	(732 bp)
PBT Margin	11.2	33.3	(2,213 bp)	16.0	(477 bp)
PAT Margin	8.7	32.5	(2,381 bp)	17.5	(876 bp)
Tax Rate	22.3	2.5	1,985 bp	-9.4	3,168 bp

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 2: P/E band: One-year forward



SOURCES: INCRED RESEARCH, BLOOMBERG

BY THE NUMBERS

Profit & Loss

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Total Net Revenues	9,302	10,363	9,858	12,368	14,014
Gross Profit	4,498	4,957	4,362	6,070	6,878
Operating EBITDA	2,532	2,980	2,172	3,727	4,258
Depreciation And Amortisation	(257)	(222)	(215)	(253)	(190)
Operating EBIT	2,275	2,758	1,957	3,474	4,068
Financial Income/(Expense)	(5)	(5)	(1)		
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	456	457	482	299	225
Profit Before Tax (pre-EI)	2,727	3,210	2,438	3,774	4,293
Exceptional Items					
Pre-tax Profit	2,727	3,210	2,438	3,774	4,293
Taxation	(127)	(98)	(115)	(156)	(215)
Exceptional Income - post-tax					
Profit After Tax	2,599	3,112	2,323	3,618	4,078
Minority Interests	9	7	10		
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	2,608	3,119	2,333	3,618	4,078
Recurring Net Profit	2,608	3,119	2,333	3,618	4,078
Fully Diluted Recurring Net Profit	2,608	3,119	2,333	3,618	4,078

Cash Flow

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
EBITDA	2,532	2,980	2,172	3,727	4,258
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(529)	(542)	(902)	(206)	348
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	442	261	331	299	225
Other Operating Cashflow	(395)	(69)	1,635	113	(921)
Net Interest (Paid)/Received	(5)	(5)	(1)		
Tax Paid	(129)	(106)	(115)	(156)	(215)
Cashflow From Operations	1,917	2,519	3,121	3,777	3,695
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)	331	299	225
Cash Flow From Investing	1,125	(2,173)	131	99	25
Debt Raised/(repaid)	(8)	(47)	(5)	(5)	
Proceeds From Issue Of Shares	(2,404)		(3)		
Shares Repurchased					
Dividends Paid	228	238	174	271	306
Preferred Dividends					
Other Financing Cashflow	(830)	(481)	(694)	(643)	(695)
Cash Flow From Financing	(3,014)	(291)	(528)	(376)	(389)
Total Cash Generated	27	55	2,724	3,500	3,331
Free Cashflow To Equity	3,033	298	3,247	3,872	3,720
Free Cashflow To Firm	3,046	350	3,253	3,877	3,720

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	2,845	6,345	9,675
Total Debtors	1,180	1,057	1,242	1,288	1,459
Inventories	7,282	7,195	4,216	4,659	5,279
Total Other Current Assets	311	293	444	557	631
Total Current Assets	8,853	8,686	8,747	12,848	17,044
Fixed Assets	2,677	2,765	2,749	2,697	2,707
Total Investments	3,839	5,990	5,990	5,990	5,990
Intangible Assets					
Total Other Non-Current Assets	401	2,178	345	136	154
Total Non-current Assets	6,916	10,933	9,084	8,823	8,851
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	5,886	6,881	3,313	3,882	4,399
Other Current Liabilities					
Total Current Liabilities	5,886	6,881	3,313	3,882	4,399
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	268	296	315
Total Liabilities	6,180	7,165	3,587	4,179	4,714
Shareholders Equity	9,587	12,444	14,225	17,472	21,161
Minority Interests	2	10	20	20	20
Total Equity	9,589	12,454	14,245	17,491	21,180

Key Ratios					
	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue Growth	14.9%	11.4%	(4.9%)	25.5%	13.3%
Operating EBITDA Growth	19.7%	17.7%	(27.1%)	71.6%	14.2%
Operating EBITDA Margin	27.2%	28.8%	22.0%	30.1%	30.4%
Net Cash Per Share (Rs)	0.38	2.16	48.18	107.68	164.21
BVPS (Rs)	158.91	206.27	241.45	296.54	359.16
Gross Interest Cover	484.13	546.08	2,111.18	20,941.92	32,697.16
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	42.56	37.33	35.77
Inventory Days	489.81	488.74	378.90	257.19	254.14
Accounts Payables Days	404.52	431.00	338.46	208.50	211.79
ROIC (%)	39.8%	44.8%	28.2%	58.6%	70.9%
ROCE (%)	22.6%	24.6%	14.5%	21.7%	20.9%
Return On Average Assets	16.7%	17.6%	12.4%	18.3%	17.1%

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 2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a, **BH** - Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CGET** – n/a, n/a, **CENDEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** - Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **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** – Excellent, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – Very Good, Declared, **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** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, n/a, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** - Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** - 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 2021 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.