



NATH SEEDS®

**Nath Bio-Genes (I) Ltd.**

(CIN L01110MH1993PLC072842)

17<sup>th</sup> February 2021

The Manager-Listing  
BSE Limited  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai-400001

The Manager-Listing  
National Stock Exchange of India Ltd.,  
Exchange Plaza, Bandra-Kurla Complex  
Bandra (E)  
Mumbai-400051

BSE Code-537291

NSE Code-NATHBIOGEN

Subject- Transcript of Conference Call with the Investors/Analysts.

Dear Sir/Madam,

The Company had organized a conference call with the Investors/Analysts on Friday 12<sup>th</sup> February, 2021 post declaration of its unaudited financial results for the quarter and nine months ended 31<sup>st</sup> December 2020. A copy of transcript of conference call held with Investors/Analysts is enclosed herewith and the same being uploaded on Company's website.

We request you to please take the above on record

Thanking You

For Nath Bio-Genes (India) Limited

Devinder Khurana  
Chief Financial Officer

NATH SEEDS

हर बीज खरा, शक्ति भरा

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**NATH**  
**GROUP**

## Transcript

### Conference Call of Nath Bio-Genes (India) Limited

**Event Date / Time** : 12<sup>th</sup> February 2021, 5:30 PM IST

**Event Duration** : 29 min 35 sec

#### *Presentation Session*

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**Moderator:** Good evening ladies and gentlemen. I am Moumita, moderator for the conference call. Welcome to Nath Bio-Genes Limited, Q3FY21 earnings conference call. At this moment, all participants' lines are in the listen-only mode and later we will conduct a question and answer session. At that time if you have a question, please press \* and 1 on your telephone keypad. Please note this conference is recorded. I would now like to handover the floor to Ms. Sheetal Khanduja from Go India Advisors. Thank you and over to you ma'am.

**Sheetal Khanduja:** Thank you Moumita. Good evening everyone and welcome to the Nath Bio-Genes earnings call to discuss the Q3FY21 results. We have on the call with us today Mr. Devinder Khurana, CFO and Mr. V. N. Kulkarni our R&D Head for Field Crop. We must remind you that the discussion on today's call may include certain forward looking statement and must be therefore viewed in conjunction with the risks that the company faces. May I now request Mr. Khurana to take us through the company's business outlook? Thank you and over to you, sir.

**Devinder Khurana:** Thank you Sheetal and good evening everyone. I am also welcoming Dr. V. N. Kulkarni our Head Research Field Crops to be available on this conference call. Thank you all for joining us on this call. I am sure you would have seen the earning presentation which we have uploaded on the bourse and our website. I would now like to update you about our Q3 and 9 months' performance and provide an update on our strategic priorities. If you remember in the first quarter of this fiscal, we had announced a strategic shift to increase focus on our non-cotton and non-paddy portfolio. After six months of that I am happy to report that our diversification strategy is showing results and we have seen significant volume growth in all our business segments including non-cotton and non paddy. During the 9 months' period, the revenue contribution from cotton plus paddy is reduced to 67% from 70% last year. Vegetable and Win-Chi-Win segment delivered a strong growth and grew 25% and 64% respectively. Cotton growth was maintained at around 16% in line with expectations based on the kharif growing and the COVID. Our field crops like bajra, maize, also delivered a strong growth of over 20% and they are following suit in mustard and wheat and rabi.

We delivered an equally strong financial performance. For the nine months period, our top line grew by 15% to 252 Cr. We have been able to continue to maintain a strong gross margin of around 54% plus. Our profit after tax also grew by 13% to 49 crores which is almost touching last year's profit and we have a quarter to go. We have been showing improvement in our working capital cycle. We have faced certain difficulties because of COVID build up of inventory which could not be fully liquidated but we have

the inventory situation under control. We have already rationalized the production for kharif 22 and we don't anticipate any inventory losses as cotton has a long shelf life. Our balance sheet is strong and we continue to maintain our long-term zero debt status. We are gearing up well for the upcoming kharif season of 21-22. The strong monsoon last year has also helped. The water reservoirs are full and early forecast is predicted for a normal monsoon in this year also. We have also taken special campaigns to educate the farmers about spurious BT and its ill effects. Apart from that we also took a special campaign on all the cotton growing territories wherein we have been educating the farmers on how exactly to get the best out of Nath Products.

Coming to financial year 21 outlook, our revenue growth would be between 18% to 20%. Slightly lower than expected on account of COVID lead disruptions which we still presume will continue for another one year. We will maintain the strong margin of around 52%, 53% plus. With this I would like to open the floor for questions please.

### **Question and Answer Session**

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**Moderator:** Thank you, sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press \* and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing \* and 1 again. Should you need assistance during the conference call please signal an operator by pressing \* and then 0 on your touchtone telephone. Our first question comes from Preeti Singh from Excel Investments. Please go ahead.

**Preeti Singh:** Hi. Thanks for the opportunity. I have a couple of questions. Sir according to the presentation FY21 revenue guidance growth is 20%, so to meet that we will need an upward growth of around 20% in quarter four. So I just want to know how are you planning on doing that?

**Devinder Khurana:** We have already clocked around 252 in nine months. We expect to go to around 320. So I think we should be on line.

**Preeti Singh:** Okay and sir I have another question about the Win-Chi-Win supply, are there any issues due to container shortages?

**Devinder Khurana:** Yes and no. We always have our Win-Chi-Win booked up in advance and we have an exclusive selling arrangement in India with our firm. We haven't faced any container shortage. But yes by default one of the containers.....the ship itself got lost in the sea, but then that is part of the trade. We have not yet faced any shortage of inward supplies from China either due to containers or due to the border escalation which have also been resolved.

**Preeti Singh:** Okay, got it. Sir there is a long strong growth coming from the Win-Chi-Win segment, so where is this growth coming from and any geographical spread increase in this segment?

**Devinder Khurana:** Win-Chi-Win has been our prime product for almost about two, three years now. When I say prime, we are trying to give it more impetus, more focus. We created, I informed in the earlier calls also. We have created a separate vertical for Win-Chi-Win also apart from vegetables and field crops. This is headed by

our GM and this vertical is concentrating on all those districts which are irrigated and have 12 months business. Currently we are selling Win-Chi-Win only in 100 territories over India. This year we plan to increase it to almost about 175 plus. And the dedicated team which is put onto Win-Chi-Win selling only Win-Chi-Win will ensure the growth. As far as the product is concerned, it's a wonder product which gives all the necessary essential minerals and vitamins to the plant which are required for a better growth.

**Preeti Singh:** Okay, got it that's all from my side. I will get back in the queue if I have any more questions thank you.

**Moderator:** Thank you. Ladies and gentlemen if you have any questions please press \* and 1 on your telephone keypad. Sir, our next question comes from Tarun Somani from Rubics Investments.

**Tarun Somani:** Hello? Thanks for the opportunity sir, I have a couple of questions and I would like to ask them one by one. So my first question is regarding Win-Chi-Win. So sir, Win-Chi-Win and vegetables as mentioned in your presentation are higher margin segment and as most of the competitors are also moving to vegetables, are we going to see any pricing pressure in this segment or are we going to sustain these margins?

**Devinder Khurana:** Can I answer this first? So what happens is Win-Chi-Win is a product which gives me around 70%, I have always been maintaining that. This is a product...it is not that it is a unique product, it is a product which can compete with the existent products and perform better and with the kind of effort that we are putting to promote this product, I do not think that we will have a margin pressure. But even if the margin pressure happens, we have respectably good margin within the margin also, so I don't see any problem there. So all the margin pressures will be offset by the volumetric growth.

**Tarun Somani:** Okay sir and my second question is like, you had announced new product pipeline in paddy. Can you tell us the status on that?

**Devinder Khurana:** We also have with us Dr. Venkatesh Kulkarni and he is our Research Head...so doctor sahib, would you like to please take on? Last time also you had put them on some dhadak and all those things?

**Dr. V. Kulkarni:** Thanks for this question. We have a strong pipeline for paddy product. These products are evaluated based on thousands of demonstrations. Nath has believed in product demonstration as one of the key areas in product development as one of the key functions. Based on this we selected this hybrid. The response of two, three hybrids was very, very extraordinary. So immediately to fastrack that the seed production has been taken up to promote that on a very different level. So in the next coming year, all these three will be in volume building side.

**Tarun Somani:** Okay. Sir, my next question is, are there any updates on Philippines?

**Dr. V. Kulkarni:** The Philippines government, the agricultural secretary has asked us to combine the visit there to finalize the whole of the system because it is a CMO. There is an agriculture ministry who has changed, who was actually Director

General here at ICRISAT. He has become the agriculture minister. We have put up our proposal and there is a proposal from them to come and discuss it and re-present our case there. We are just waiting for it. We are just waiting for it. We are now feeling that because of the COVID we were stuck, we could not move last year. We are now moving out from the next month onwards.

**Tarun Somani:** Okay sir and my last question for now is like, what do you expect, like how will the coming kharif season go for us?

**Devinder Khurana:** We are hoping that the COVID which in India, technically has come down under control. The farming community goes out and it goes through the fields and does as much education as possible. We have sufficient production lined up based on the returns of last year as well as production of this year. So we are fully geared up for kharif for this coming year. I hope that the farming community is able to handle that.

**Tarun Somani:** Okay sir, that was my last question. I will join the queue for further questions, thank you sir.

**Moderator:** Thank you. Ladies and gentlemen if you have any questions please press \* and 1 on your telephone keypad. Sir, our next question comes from Gaurav Jhunjunwala an individual investor, please go ahead sir.

**Gaurav Jhunjunwala:** Thank you. Sir I have two questions, if we compare the past performance, if we go back a couple of quarters two, three years we see a sharp difference in our ROI or profit margins on the equity side of the portfolio. What is the reason? The business is also doing good and we are seeing good results quarter after quarter but the scrip price, the stock price is fluctuating and it is not able to hold, so it is a concern that we have for many independent investors. We are from an investment community as a retail investor; I would like to know what's going on?

**Devinder Khurana:** Mr. Gaurav if you are concerned about the stock prices not being commensurate to the intrinsic value of the share and if you are concerned, let me very clear, so are we. But my problem is we do not control the market and I cannot...

**Gaurav Jhunjunwala:** No it is not about the market. It is about...I am sorry to interrupt...I was just trying to draw a logical reason when we compare it to our competitors, we fall back. We are performing well but still....the numbers are there but still why is it not showing up where it should show up?

**Devinder Khurana:** I agree, so let us jointly find a solution to this. What happens is the company is performing well, everybody says so, I am grateful, thank you very much. The net profit margin is increasing, the net profit is increasing, the share equity remains the same. So as a result my EPS is going up gradually and the intrinsic value of the share based on the same PE ratio is also going up gradually. Yet, we find that the share is not maintaining the kind of parities and the intrinsic value which comes through the books. Now, one reason could be that the floating stocks in this share is quite low. I am only visualizing. Second is maybe in spite of all this the perception is not yet getting through because every quarter we are trying to tell the investors at large what we are doing, our transparency is very clear. Everything is above board and we keep telling this is what we are doing and it is getting appreciated quarter after quarter. In spite of that I

fully appreciate that the share is still floating around 280, 290, 260, 270 something like that. So I think with more of....I will leave it to my IR people to continue to work on this. We have Go India supporting us on this effort and they should be able to guide all of us so that we can actually show what we are properly.

**Gaurav Jhunjunwala:** Okay so we have a positive outlook for the coming quarter?

**Devinder Khurana:** Oh yes sir. If you go through quarter by quarter, half-year by half-year, year by year for the last five years, you will find that the company is always doing better than earlier.

**Gaurav Jhunjunwala:** Correct, if we compare it to the last two years' quarters, it's been good. But if we compare it to further back then it has been really bad.

**Devinder Khurana:** I appreciate. What happens is that everybody has a nascent stage, adolescent stage in which the things are getting lined up. We have risen like a phoenix, we have also come from ashes, we have put a lot of effort. Even this year with the COVID being in line and performing community not coming out, marketing people not coming out of their houses to go and try and sell the product. Otherwise what would have happened, if I could not have had five lakhs cotton packets coming back, imagine I would be plus 40 crores again here also. But don't worry, my outlook of the company, based on the products and the results and the market and the effort being taken by the management is definitely very, very positive.

**Gaurav Jhunjunwala:** Okay, that's all from my side so that answers my questions.

**Devinder Khurana:** Welcome.

**Gaurav Jhunjunwala:** Thank you so much for your time.

**Moderator:** Thank you. Ladies and gentlemen if you have any questions please press \* and 1 on your telephone keypad. Sir, our next question comes from Alaya Patel from Value Investments, please go ahead.

**Alaya Patel:** Hello? Thank you for this opportunity. Sir we are doing better than our competitor in terms of market share in cotton, our competitor is losing and we are growing. How long can we continue to gain this market share and what would be the growth prospects next year for cotton?

**Devinder Khurana:** Two things Alay ji. Firstly, the entire analysts community is enamored by cotton. This is just a statement; please take it with a pinch of salt. As far as cotton is concerned, initially in the first quarter I said that we will continue to maintain cotton but we also want to strategically shift to non-cotton area. This year if you go through my system, you will find that cotton has performed only 16% to 18% whereas other segments have grown by 25%, 40% and 45% and 50%. But our products are good and well accepted in the market, we've been able to take care of pink ball worm to a certain extent. Our research under Dr. Raina, Dr. Kulkarni, Dr. Ish Kumar, Dr. Pathak; four great stalwarts is being handled towards giving us a futuristic growth, we will as a company continue to give nightmares to our competitors, that's my statement.

**Alaya Patel:** Okay sir. Could you shed some light on the opportunity in maize and our strategy towards maize?

**Devinder Khurana:** Doctor would you please like to answer this?

**Dr. V. Kulkarni:** Yes. Maize is one of the biggest seed market in India as far as volume wise is considered. There are only multinationals which are present in a major way. We are now coming up with two products to enter into it to expand our volumes. Both of them have been tried on a very vast demonstrations across India. We were lacking one single cross hybrid for southern and central India, we have identified it and currently seed production of that hybrid is going on. We are hopeful because we are focusing on it and we are using new technologies to beat our competitors to come out with new hybrids. At present we are having...we have identified two hybrids, one at medium maturity one at single cost full maturity hybrids. Both are under large scale seed productions and we are hopeful of increasing the volume of them. These are selected based on the large scale demonstrations.

**Alaya Patel:** Okay. Sir could you please tell us where we are currently in terms of exports? In the last conference call you had mentioned higher visibility in Sudan. How is that going for us?

**Dr. V. Kulkarni:** In Sudan registration of our cotton hybrids BT cotton hybrids is expected to be done by this March end. We are trying to fast track it. The visits of the committee members to the plots are over. That will open up a very good market for cotton in Sudan. The other crop registration as per the time they are going on....because we cannot pressurize on all the aspects because we are focusing on cotton. We are trying to put people and make that happen as early as possible to catch up this season only. The rest of the countries either Egypt or Bangladesh are normally managed by us, wherein we are going to have a volume increase and we will achieve much more revenue from that. Fortunately our tomato hybrids are also doing well across the regions and we are likely to take that as a very higher growth.

**Alaya Patel:** Okay, thank you so that's it from my side for now. If I have any more questions, I will get back in the question queue.

**Dr. V. Kulkarni:** Thank you ma'am.

**Moderator:** Ladies and gentlemen if you have any questions please press \* and 1 on your telephone keypad. Sir, our next question comes from Preeti Singh from Excel Investment, please go ahead.

**Preeti Singh:** Thank you for taking my question again. I have a few more questions. My first question is about the impact of the illegal cotton seeds. What is the government doing for this?

**Devinder Khurana:** Doctor sahib please?

**Dr. V. Kulkarni:** Ma'am illegal cotton has grown in some of the places, however this time the yield of illegal cotton has come down or drastically reduced because of the heavy rains. So the traction towards illegal cotton, we feel that it is going to be reduced when we are speaking to the dealers and distributors and they are also

giving us similar vibe. On the government front they have not legalized it, however because of some spurious seed producers that is being cultivated. A lot of education is being done to the cotton growers on illegal cotton. Probably the volumes of illegal cotton may get reduced in the next year very drastically because of two reasons, one is education and another is drastic reduction in the yield of such cotton which has succumbed to second pest in those growing areas.

**Alaya Patel:** Okay thank you. What are the opportunities in rice given there is rising exports from India?

**Dr. V. Kulkarni:** In fact we are coming out with very good hybrids in all the segments like bold, long bold, fine and long slender kind of categories. At present we are releasing next year bold and long bold segment and our prospects are very good. I am very happy to tell that we have even appointed a crop manager for rice so that we will play a value creation role by taking the third eye feedback from the customers as well as dealers and distributors. With the hitherto conducted demonstrations or studies that we have. So he is the one person who is going to bring all the data on the table and try to make it. By just appointing this particular position itself indicates that we are hoping very big in rice. So rice is going to be one of them. In the next year we are likely to enter into a marquee category of rice, next year we are going to have a big demonstration of that and we are hopeful to get successful hybrids in the market category of diseases and stains also.

**Alaya Patel:** Okay I got it. My last question is are there any impacts of pharma products on our operations currently?

**Devinder Khurana:** Pharma products? Farmer protest?

**Alaya Patel:** Yes, is there any impact of farmer protest on our...

**Devinder Khurana:** No, no.

**Dr. V. Kulkarni:** I would like to just tell that whatever land is there they have to plant it; to plant it there should be seeds for that and there should not be any impact on these kind of protests.

**Alaya Patel:** Okay. Got it, thank you. That's all from my side.

**Dr. V. Kulkarni:** Thank you ma'am.

**Moderator:** Ladies and gentlemen if you have any questions please press \* and 1 on your telephone keypad. Sir, our next question comes from Mr. Arun Suthar an individual investor, please go ahead sir.

**Arun Sutharr:** Hello sir, I wanted to ask regarding, we have shown some growth of around 15% to 16% in cotton and around 25% in other crops and Win-Chi-Win around 60% to 70% for the nine months of this year. So going forward what's your guidance for cotton and other crops?

**Devinder Khurana:** Cotton does not sell in the last quarter.

- Arun Sutharr:** Sir I am asking about FY22, next year.
- Devinder Khurana:** Next year we plan to maintain around 20% plus, don't worry overall.
- Arun Sutharr:** Other crops, vegetable, paddy and other crops?
- Devinder Khurana:** All put together 20%. When I give you guidance for next year, it is the guidance for the year as such. Then we take it quarter by quarter.
- Arun Sutharr:** Then how has been the pricing for this year for crops, I mean cotton individually?
- Devinder Khurana:** Cotton price is fixed by the government there have been no changes, royalty has been marked off and as far as the other prices are concerned, they are market dominated or market controlled.
- Arun Sutharr:** Do we expect any price reduction on cotton or expect the same?
- Devinder Khurana:** I don't think government is going to reduce it further, no.
- Arun Sutharr:** And our sales return would be around 20%?
- Devinder Khurana:** Last year cotton was 11% and this year it went up to almost 25%, 26%. So we are hoping around 15%
- Arun Sutharr:** Any comment on the working capital cycle?
- Devinder Khurana:** Working capital cycle last year half year results when I gave my asset base and all it was definitely better. By year end it will be better than last year. It is under control and improving by the day. A lot of effort is being put into the working capital cycle.
- Arun Sutharr:** Okay, thanks a lot sir.
- Moderator:** Thank you sir. That would be the last question. Now I hand over the floor to Mr. Devinder Khurana for closing comments.
- Devinder Khurana:** Thank you very much, thanks all of you. Thanks for being with us and as always appreciate the compliment that come that we are doing well. We are trying to put in a lot of effort in trying to achieve what we want to achieve because basically whatever we do is for us as investors, as a company as well as for the farming community. We are getting the best of all. Hopefully by the end of the year we would have met our guideline around that area and we will see you soon by the end of next quarter. Thank you very much.
- Moderator:** Thank you sir. Ladies and gentlemen with this we conclude our conference call for today. Thank you for your participation and for using Door Sabha's conference call service. You may all disconnect your lines now. Thank you and have a good evening everyone.

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**Note:**

1. This document has been edited to improve readability.
2. Blanks in this transcript represent inaudible or incomprehensible words.