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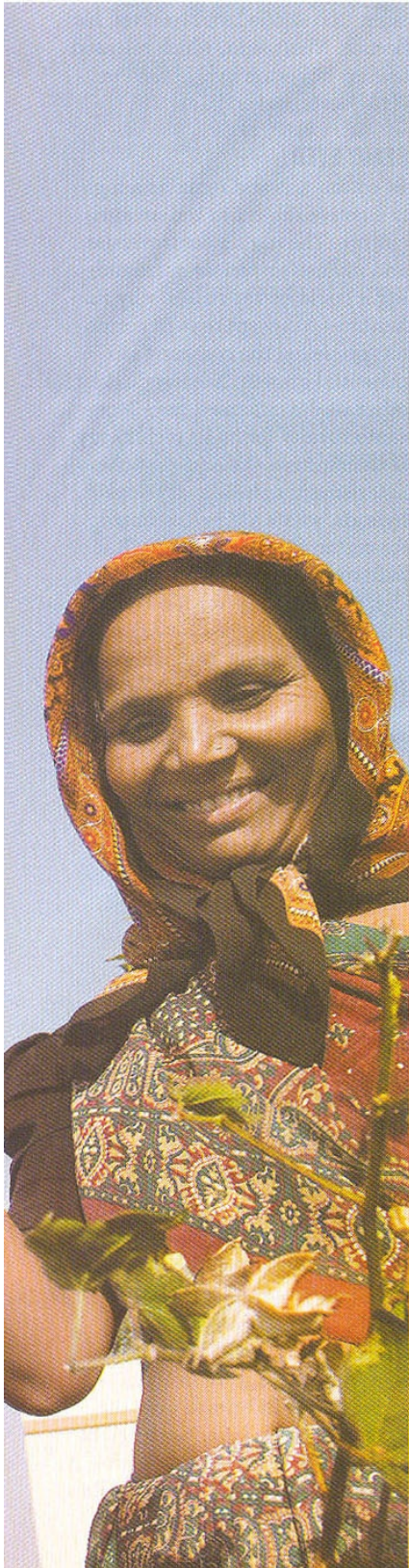
OUTLOOK
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FOR DECISION MAKERS

RIDING ON WHITE GOLD

*Nuziveedu has quickly become India's largest hybrid seed company —
and it has Bt cotton to thank for its fortunes*



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Himanshu Kakkar

From biotech labs to germplasm banks to seed farms and processing factories, seeds travel a long way before they finally sink into the moist soil tilled by a farmer. One of the best places to discover this nearly invisible fact is Nuziveedu's seed factory in the outskirts of Hyderabad, where massive conveyer belts, funnels, mixers and separators operate with a non-stop din under a cavernous shed. "For most people, seeds grow just like that," laughs an official, as he demonstrates the sorting and coating of corn seeds with a

pinkish layer of pesticide. Seeds, it seems, often pass through as many stages and processes as an FMCG product! Nuziveedu has research facilities sprawled over 650 acres of farmland to test the genetic purity of its hybrid seeds, and the seeds themselves are sourced from 100,000 contract growers as per Nuziveedu's specifications. It's these seeds that are processed at its factories before they are sold. Hybrid seeds account for more than 60% of the ₹10,000 crore total seed market in the country, and they are being preferred by more and more farmers.

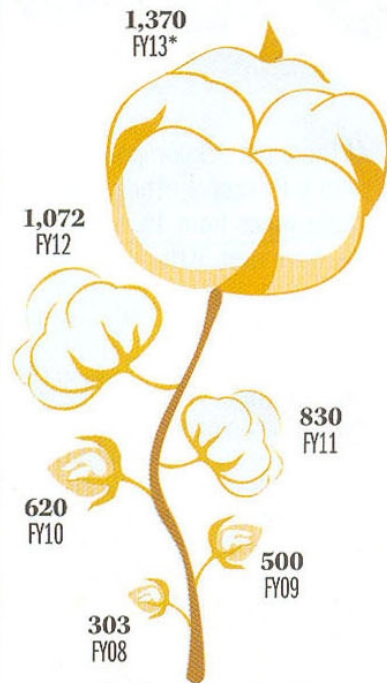
All of which is helping one man rather nicely. M Prabhakar Rao, chairman, Nuziveedu Seeds, smiles easily, and why not? An Able (Association of Biotechnology Led Enterprises) study has named Nuziveedu the country's number one seed company. In fact, its numbers are raising eyebrows — Nuziveedu's annual output of 600,000 quintals of hybrid seeds gets deployed over 89,000 acres and matches what the ₹700 crore Mahyco manages on 100,000 acres. What's more, Mahyco has a tie-up with Monsanto, licensors of Bt cotton technology in India, but it's Nuziveedu, which is only one of its 30 licensees, that has marched ahead.

"We just crossed the ₹1,000 crore revenue mark in FY12," exults Rao, whose flagship business is seeds although his ₹3,500-crore NSL Group, has interests in infrastruc-

ture, power, sugar and textiles. What's more, Nuziveedu almost doubled its size in a matter of four years, expanding rapidly from ₹500 crore in FY08 to ₹1,072 crore in FY12. But the company's COO Ramesh Vishwanathan admits ruefully: "Most people who aren't farmers haven't heard about the largest seed company in India."

PUFFED UP

Nuziveedu's distribution reach has enabled its rapid growth



* Company's projection for FY13; in ₹ crore



“There are 30 companies that hold a Bt licence. Their market share varies from 1% to 9%. We have over 30%

—M PRABHAKAR RAO
Chairman, Nuziveedu Seeds

TIME TO SOW

It was Rao's father, M Venkatramiah, a graduate in agriculture, who launched the seeds business in 1973, naming it after his ancestral village of Nuziveedu in the Krishna district of Andhra Pradesh, 300 km from Hyderabad. Rao, who completed his Masters in agriculture from Banaras Hindu University, joined his father in 1982. Their

business remained within the Guntur region for some years.

The seeds sector in India was highly regulated and dominated by the public sector back then — no foreign investment or collaboration was permitted and the National Seed Policy of 1988 was to open up the sector much later. “R&D was not a big part of the business in those days,” Rao recalls. “But we developed some cotton hybrids and expanded our area of operations.”

After the mid-1980s came the diversification into hybrid sorghum, which crop farmers rotated with cotton. Later still, they got into other seeds like castor, maize and bajra, and several vegetables were added recently. Today, Nuziveedu sells in 17 states, including Maharashtra, Madhya Pradesh, Haryana, Orissa and Karnataka.

Then came 2002 and a decade of breakneck growth. The Genetic Engineering Approval Committee (GEAC), India's regulatory body

later, Rao applied and received his licence. Nuziveedu, which released its first Bt cotton hybrid seed in 2005, never looked back.

BEADY EYED

Bt cotton was and remains a highly emotive subject in Indian agriculture. The raging controversies and intense suspicions surrounding it could be the reason why Rao hesitates to accept that Bt cotton has propelled the company's exponential growth. Nuziveedu, like other seed companies, pays Monsanto royalty for its Bt technology. It then infuses the anti-pest characteristics into locally developed hybrids, which are better suited for cotton farming in India. Rao believes it is this win-win combination that accounts for Nuziveedu's share of the 'Bt cotton' market.

“There are around 30 companies that have a Bt licence,” he says. “The market share of some of them may not even be 1%, while some of

NUZIVEEDU HAS AN ANNUAL SEED OUTPUT OF 600,000 QUINTALS AND RECORDED A REVENUE OF OVER ₹1,000 CRORE IN FY12

for biotech crops, allowed Mahyco Monsanto Biotech (MMB), a 50:50 JV between Mahyco and Monsanto Holdings, to commercialise Bt cotton in the country and sub-license the technology to Indian seed companies. Bt cotton contains a bacterial gene obtained from *bacillus thuringiensis*, which is genetically introduced into cotton seeds to protect the plants from bollworm, a major cotton pest. Such inbuilt anti-pest mechanisms are said to ensure higher yields.

Rao wasn't convinced initially even though competitors like Rasi and Kaveri started using Bt cotton technology for their hybrid seed brands. “We took some time before we understood that it was good technology,” he says. Two years

them may have 8-9% of the market. We have over 30%.”

Rao's hesitation to come out unequivocally in favour of Bt cotton, which has clearly brought him plenty of profits, is puzzling. But that does not faze other believers. “Developing hybrid varieties has been Nuziveedu's strength,” observes Vaishali Chopra, senior manager, food and agri-business, at Rabobank. “They have been running a breeding programme for a long time and have developed good hybrids of cotton.”

Bt technology will continue to have a stormy future in India — approval for Bt brinjal, only the second GM crop launched after Bt cotton, was suspended soon after it was granted in February 2010. Rao

chooses to take an apparently tranquil view of things: "It is for the government to decide and legislate. We only follow the policy they set."

SALE SEASON

Rao's company may have got the recipe right, but how does it have the farmer community eating out of its hands? "You go out with a product, which may not even be on sale right now, but you build it for the next season," says Vishwa-

nathan's sales volumes. Vishwanathan says Nuziveedu has also been creating its own markets: "A recent example is of Raghav, another of our hybrid-Bt cotton seeds. With it, we went to northern India, where we didn't have any market share, and we ramped up in two years."

BUYING TO LEAD

In its quest for leadership, Nuziveedu has also not shied away from

R A CHANDROO



nathan, adding with a laugh, "It's like an election campaign before the sowing season." But doesn't every other seed maker do that? Yes, that is why Nuziveedu runs dedicated assistance teams to guide farmers. Farmers are guided with everything, ranging from seed-bed preparation and fertiliser application to irrigation and harvesting.

It's a very instinctive business, Vishwanathan says, before pausing to add, "We have to get right which products to bet on and how much capacity to dedicate." Going by market reports, Nuziveedu has been getting its mix consistently right. Mallika, its hybrid-Bt cotton market leader, is a good example — Nuziveedu ramped up its production from FY05-FY08 despite being a late entrant to the business, and Mallika now makes up 40% of the

THE PROFIT MARGIN FOR SEED COMPANIES LIKE NUZIVEEDU IS SAID TO BE RANGE OF 18-20% DESPITE THE ROYALTY THAT IT PAYS

acquisitions. It acquired Yaaganti Seeds in 2008, Pravardhan Seeds in 2009 and Prabhat Agri Biotech in 2011, all Hyderabad-based enterprises. Rao doesn't want to give away the cost of these acquisitions but newspaper reports says the 51% stake in Yaaganti and Pravardhan came for a total of ₹25 crore. These two companies, which are strong in maize, sunflower and bajra seeds among others, helped Nuziveedu diversify beyond cotton, its main-

stay. Prabhat Agri, which is strong in cotton hybrids, was acquired because it made perfect sense to absorb a competitor. Even today, Prabhat has an independent sales turnover of ₹100 crore, plus 10 regional offices, more than 200 distributors, and over 20,000 retailers across 10 Indian states. Rao says all of it helped Nuziveedu expand its germplasm bank, product offerings, customer base as well as the sales and distribution network.

In fact, a robust distribution infrastructure is a must-have for a seed company. "We have higher distribution and reach than any other company in India now," claims Vishwanathan. Nuziveedu has over 3,000 distributors and 60,000 retailers who are supported by eight regional offices that claim to serve 10 million farmers.

Arvind Kapur, CEO of Rasi Seeds, a ₹550-crore Tamil Nadu-based company that has a 14% share in hybrid seeds, feels Nuziveedu is also able to beat Mahyco because the Monsanto partner is geographically more dispersed and present in several crops. He adds, "That's why Mahyco doesn't have leadership in any one crop."

Besides, Monsanto, which also operates as an individual seed company in India, has other objectives — it's a seed technology company first, so it would rather earn royalty than compete with the likes of Nuziveedu and Rasi. "If Monsanto starts competing aggressively against local players, they will use some other technology and not Monsanto's," points out Rabobank's Chopra. "So they let them expand and earn more through royalty." The profit margin for seed companies like Nuziveedu is said to be range of 18-20% despite the royalty burden.

SOFT TROUBLE

Nuziveedu's dependence on central and southern India, key cotton



PARVIN DABAS

growing areas, has a downside to it. 80% of its seed turnover comes from cotton and this has made the company way too reliant on one crop. Vishwanathan admits that there is no possibility of a dramatic expansion as far as the acreage of cotton is concerned. The challenge for the company is to get more yield and productivity out of the same amount of land. However, cotton yields seem to have hit a ceiling at 500 kg/hectare.

Nuziveedu has other worries as well. The seed brand is barely recognisable outside its central-southern belt. "What's that?" ask a group of farmers at Fazilka, Punjab. "I had to make calls to various seed agents to find out about the company," says Vikram Ahuja, an agri-entrepreneur.

Vishwanathan, however, is hardly deterred and says there is space to grow where they are lagging. "We are weak in some pockets of eastern and northern India — in fact, we are in the sub-20% range even in Gujarat and Madhya Pradesh," he says without hesitation. Geographical expansion into new markets is also the answer to Nuziveedu's dead-end with yields.

DEDICATED ASSISTANCE TEAMS GUIDE FARMERS WITH SEED-BED PREPARATION, FERTILISER APPLICATION, IRRIGATION AND HARVESTING

In 2010, the company also entered international seed markets, exporting maize, sunflower and vegetable seeds to countries like Pakistan, Bangladesh, Sudan, Kenya, Ghana, Vietnam and Turkey. The focus is on SAARC countries and sub-Saharan Africa, which offer good potential for the seeds sector, but Nuziveedu's export revenues are not substantial as of now. The international markets surely won't be easy: competition in cotton is more localised but MNCs like Dupont and Monsanto will compete with Nuziveedu in other crops and regions that are as yet unfamiliar to the company.

The focus is also on moving away from cotton, "We have strong products in maize and paddy," Rao says. Sale of vegetable seeds, where the company is focused on chillies, tomatoes and okra, are also seeing a 30-40% growth rate. Rao hopes that, with diversification, Nuziveedu will be among the first three seed companies in all these crops.

In any case, Rao needs more capital to expand into newer crops and regions. There have been reports that he is planning a ₹900-crore IPO but right now he's playing his cards close to his chest. "We are considering options but there is nothing to announce as of now," he says guardedly.

Not that funding has been thin on the ground or there is a lack of suitors. Blackstone Capital invested ₹250 crore in Nuziveedu in August 2010. "We were impressed with their capability across the whole value chain, and Prabhakar Rao's understanding of the seeds business," explains Richard Saldanha, vice-chairman and executive director, Blackstone.

Rao's mind, though, is simply fixed on the farmer. He says firmly, "The Indian farmer has realised that there is a significantly improved return when he buys quality seeds." That insight should surely help Nuziveedu sustain its growth in the times ahead. 