



Nov 6th 2008 JK Agri Genetics Ltd. CMP : Rs. 181/-

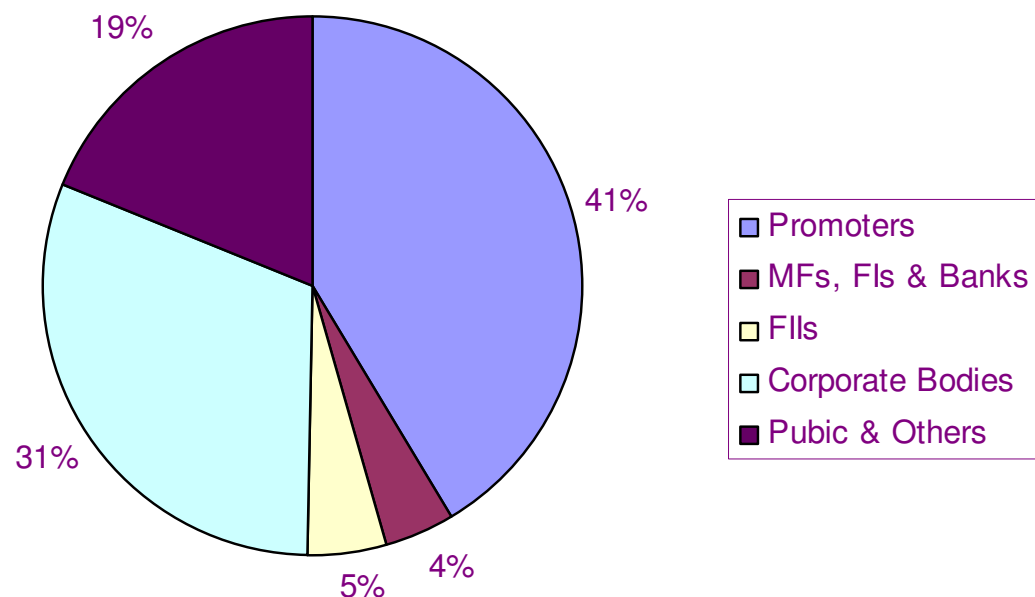
Company Profile

This company was formed in 2003 on demerger of the Investment and Seed business of JK Industries Ltd. The demerged entity was formed with an Equity of Rs. 35 million. A proposal for further demerger is pending for approval and sanction of the Hon'ble Calcutta High Court is awaited.

The salient terms of the merger are as under:

1. Seed business will be transferred to a new company.(Likely to be named as Florence Alumina Ltd. with a paid up equity capital of Rs.21 mn.
2. JK Agri will retain the Investment portfolio with a paid up equity capital of Rs.14 mn.

SHARE HOLDING PATTERN





JK AGRI - AN OVERVIEW

Technology

- Wide Geographical Spread in Research Programs : 11 breeding centers & 40 multi-location R & D centers
- Large collection of Germplasm Lines in mandate crops
- Experienced & Highly Qualified Scientists: 15 PhDs & 22 Post Graduates.
- State-of-Art Infrastructure: Transgenic development, Marker Assisted Breeding, DNA fingerprinting, Radio Isotope handling, Tissue culture etc.
- Inter-disciplinary Research: Plant breeding, Biotechnology, Seed Technology, Agronomy, Entomology, Plant Pathology etc.
- 7 Hybrids notified by Govt. Agencies including popularly grown – Rice JKRH-401, Bajra JKBH-26, Jowar JKSH-22 etc.

Achivements

- First and only Company in India: To develop indigenous Bt. Cotton technology
- One amongst the 4 companies in world commercializing Bt. Cotton technology.
- 8 Bt. Cotton Hybrids commercialized: Many more in pipeline
- Developed in-house Hybrids: Sweet Sorghum & Sugar Beet under trials for bio-ethanol
- Strong pipeline of differentiated Hybrids: Extra long staple Cotton, fine aromatic and non aromatic Rice, worm resistant Bhendi etc.



Further Developments

- Collaborations with leading National and International Institutions: Biotech traits, Germplasm development & technologies
- Biotech Project on Cotton Fiber Quality Improvement: Concessional Funding under CSIR's NMITLI program
- Concessional funding under DBT's SIBRI Programme
- Novel Genes for imparting tolerance towards pests, drought, salinity and New Plant types etc. in multiple crops
- A New State-of-Art Biotech Lab planned with updated and Modern equipment
- Capital Investment of over Rs. 70 crores planned in Research over the next 3-4 years
- R&D spend 13% of Turnover

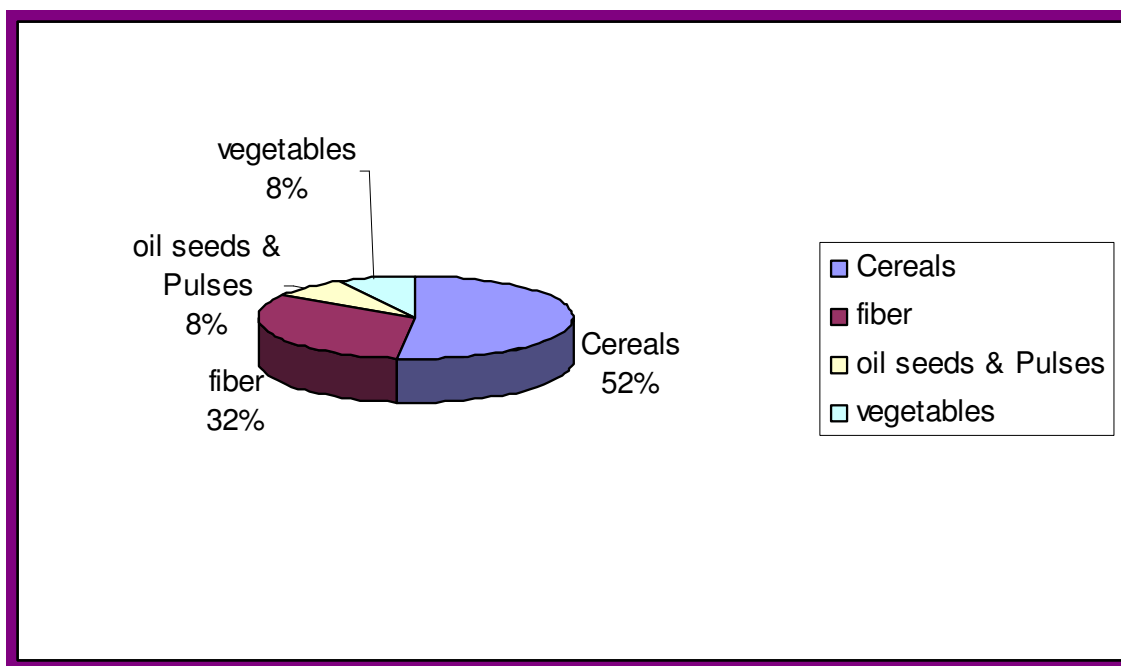
Operations

- Hybrid Seed production over 30,000 acres: Andhra Pradesh, Karnataka, Tamilnadu, Rajasthan, Gujarat & Maharashtra
- Wide spread Network of Organizers and Seed Growers
- Seed Grower Advisory Services: Improving Seed yields of desirable quality



Products

- **Cereals (52 %):** Rice, Wheat, Maize, Jowar, Bajra
- **Fiber (32 %):** Cotton
- **Oilseeds & Pulses (8 %):** Sunflower, Mustard, Pigeon pea
- **Vegetables (8 %):** Tomato, Okra, Chilli, Brinjal, Melons, Gourds



Positioning in India

- Among the top 3 players in Bajra, Jowar and Hybrid Rice:
 - Bajra – 18% market share
 - Jowar – 17% market share
 - Hybrid Rice – 7% market share
- Amongst the top 5 players in Bt. Cotton



Sales & Marketing

- Pan-India presence: 400 Wholesalers & more than 15,000 Retailers
C&F Agents in 10 states (smooth& timely supply)
- Large Field Force: Providing extension services to farmer, besides promotional activities
- Post Sales Service: Differentiated, offering of “Farming Solutions”.
- Co-marketing: Bt. Cotton, Rice, Bajra
Sub-licensing: Bt. Cotton technology to several Companies.
- Seed Exports: Envisaged in Asia, Africa & Latin American countries.

Business

The existing company derives its revenues from two segments.

Viz: Seed Business and Income from investments i.e dividends on shares, gains/loss on sale of shares, interest income from other liquid investments.

Sales composition for seed biz

Hybrid cotton seeds constitutes 70% (this includes revenues from BT Cotton) and the remaining 30% constituent comes mainly from Bajra, Jowar and Maize hybrid seeds.

Research and Development

The company has its own research facilities located in Andhra Pradesh and Rajasthan. The products are extensively tested in farmer's fields across the nation and varied agro climatic conditions and farming practices. They have a 'Participatory Plant Breeding Process' well in place wherein the customers and channel members interact with their breeders and selecting the hybrids best suited to the concerned environment basis of performance, product quality, pest tolerance, end uses, etc. Thereafter the best products are earmarked for commercial sales. Company's R & D center has been recognized by the Dept. of Science & Technology – Govt. of India. The company annually allocates about 10% of its revenues to R & D expenditure. It has seeds testing centre spread across 36 nationwide locations. It is also setting up a new world class biotech research center near Hyderabad and has also tied up with various search institutes in North America, Europe & Australia. These initiatives will help company in developing superior hybrid agri seeds for rice, cotton and mustard.



Valuation of Investments in J K Agri

Names of the Bodies Corporate	Instrument type	No. of shares	Face Value in mn	Market Value in mn as on 6.11.08
JK Paper Ltd.	Equity	6,675,248	300.39	117.15
JK Lakshmi Cement Ltd.	Equity	6,822,521	98.26	268.81
Ashim Investment Co. Ltd.	Equity	758,057	10.91	13.30
Umang Dairies Ltd.	Equity	1,194,965	1.43	5.05
JK Sugar Ltd.	Equity	271,035	16.30	4.34
J.K.Pharmachem Ltd.	Equity	2,371,903	4.15	4.25
Udaipur Cement Works Ltd.	Equity	4,333,000	4.11	4.33
JK Tyre & Industries Ltd,	Equity	4,525,554	160.92	226.28
Netflir Finco Ltd,	Equity	1,508,517	53.64	19.99
RR Belts & Seals Ltd, (unlisted)	Equity	1,361,220	2.72	2.72
Subsidiary Companies				
Florence Alumina Ltd.	Equity	1,500,000	15.00	15.00
SHORT TERM				
ICICI Prudential Short Term Plan-Cumulative Option	Units	24,189.86	0.27	0.27
			668.13	681.49
Aggregate book value of unquoted Investments			26.26	
Aggregate book value of quoted Investments			641.87	
Value per share as per cost price of investment				190.56
Value per share as per current market value of investment				194.38

(Note: Holdings of securities are based on details available as on 31.03.2007.)



Valuation of JK Agri

Segments	Valuation of business segment (Rs. in mn)	Valuation per share (Rs.)
Seed	382*	109
Investments	668	190
	1050	299

* (.45 x - average sales of Fy07 & Fy08 seed business)

About the Demerger

Shareholders of the existing company will be eligible to receive 60 shares of the demerged seed business entity and 40 shares of the Residual Company for every 100 shares held in the existing JK Agri Genetics. This proposal is awaiting the approval and necessary sanctions of Honorable Calcutta High Court.

The salient terms of the merger are as under:

1. Seed business will be transferred to a new company.(Likely to be named as Florence Alumina Ltd. with a paid up equity capital of Rs.21 mn.)
2. JK Agri will retain the Investment portfolio with a paid up equity capital of Rs.14 mn. The present value per share as per the current market value of investments of the company works out at Rs.194/- per share .

Synopsis : Indian Seed Industry

Indian seed industry has market of Rs. 4000 crores and is seventh largest in world with growth rate of 12-15%



Growth drivers for Indian seeds industry

- Increase in population and standard of living which leads to higher demand for food, feed, fiber and fuel
- Hybrids are tolerable to climate and environmental concerns like drought, floods, salinity; resistance to pests and diseases.
- Agricultural growth essential for prosperity in rural areas Food & Nutritional Security of the Country.
- Need for Superior Seed and Higher Seed Replacement to boost productivity

Factors Supporting Growth of Seed Industry

- Biotechnology : To counter biotic and abiotic stress & improve output quality
- Increasing Area under Hybrids : Cotton, Rice, Maize
- Hybridization of Traditional Crops : Mustard, Pigeon pea and Wheat
- Thrust on Energy Crops : Sugar beet, Sweet sorghum, Jatropha
- Increased Government focus and spending on agri-input sector
- Statutes to Boost Seed Research : IPR, PVP and Patent Act
- Globalization of Markets: Better realization of farm produce

Seed Industry – Advantage India

- Third Largest cultivable land in the world : Cultivation of diverse Crops
- Largest irrigated area in the world: More crop cycles in a year suitable for seed production
- Presence of all types of agro-climatic soil types reported in the world : Research in wide range of crops possible
- Second Largest Agricultural Scientist Manpower : Breeding and biotech research at low cost
- Low cost Skilled & Unskilled Labour : Seed Production and Research hub of the world.



Risks and Concerns

- 1) The revenues of the company are totally dependant on the regularity and consistency of monsoon. Any erratic or delay in rainfall before the sowing of seeds may divert the farmer to some other crop and this could lead to severe loss of revenues.
- 2) The earlier crop season also plays a sizeable role in the farmer's attitude towards the next crop sowing season. If the farmer's agri crop has not generated good revenues in the preceding season, for reasons of erratic monsoon or climatic conditions then he will not aggressively venture into crop sowing in the following season and this may adversely affect the revenues of the company.
- 3) It has to spend additional 20% on processing and packaging cost of carry over unsold stocks and this cost eats away into their margins. On many occasions these seed stocks before they get soiled are sold at very reduced prices, causing margin erosions.
- 4) There are bureaucratic delays in on obtaining permission from Generic Engineering Approval Committee for starting large scale clinical trials and consent for commercial sale of BT Cotton. This may upset company's schedule for introduction of new products and the revenue earnings may be postponed to a later date.

**PROFIT AND LOSS A/C****(Rs. in Million)**

	Audited	Un-audited	Un-audited
Date Begin	1-Apr-06	1-Apr-07	1-Apr-08
Date End	31-Mar-07	31-Mar-08	30-Sep-08
Net Sales	786.88	886.47	468.9
Other Income	61.93	79.05	34.64
Total Income	848.81	965.52	503.54
Expenditure	731.69	848.85	477.97
Operating Profit	106.75	116.67	25.57
Interest	2.69	9.93	10.18
Gross Profit	104.06	106.74	15.39
Depreciation	18.9	17.76	8.52
Profit before Tax	85.16	88.98	6.86
Tax	30.44	23.41	1.38
Profit after Tax	54.72	65.57	5.49
Net Profit	54.72	65.57	5.49
Equity Capital	35.07	35.07	35.07
Reserves	367.42	432.99	-
EPS	15.68	18.70	1.57



Segment-Wise Revenue, Results and Capital Employed

(Rs. in Million)

S. No.	Particulars	Year ended	Year ended
		31/3/2008	31/3/2007
		Unaudited	Audited
1	Segment Revenue:		
	- Hybrid Seeds	912.36	825.42
	- Investment	53.16	23.37
	- Total	965.52	848.80
2	Segment Results - Profit Before Interest, Tax		
	But after Depreciation		
	- Hybrid Seeds	46.16	64.88
	- Investment	52.74	22.96
	- Total	98.90	87.84
	Less : Interest	9.93	2.68
	Add : Other Un-allocable Income Net off		
	Un-allocable Expenditure	-	-
	Total Profit before Tax	88.97	85.15
3	Capital Employed		
	(Segment Assets-Segment Liabilities)		
	- Hybrid Seeds	685.11	594.41
	- Investment	820.51	772.65
	- Total	1505.62	1367.06



Year (Rs. In Mill)	Sales Rs	EBIDTA Rs	PAT Rs.	OPM %	NPM %	EPS	P/E	Book Value	Price/ Book Value
FY 2007	786.88	109.68	58.57	13.93	7.44	16.70	13.00	88.00	2.46 x
FY 2008 (unaudited)	886.47	116.67	65.57	13.16	7.39	18.70	15.00	107.00	2.63 x



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