



The African Seed Company

# **SEED CO LIMITED**

## **HALF YEAR ENDED 30 SEPTEMBER 2015**

### **ANALYST BRIEFING**



**Seed Co Group  
Half Year Financial Review  
By  
Matorofa John- GFD**



**Income Statement  
For the Half Year  
ended  
Sept 2015**



# Group Income Statement Review

	Half Year Sept. 2015 USD millions	Half Year Sept. 2014 USD millions	% age Increase (decrease)
<b>Turnover</b>	<b>18,79</b>	<b>16,04</b>	<b>17%</b>
<b>Operating expenses</b>	<b>15,69</b>	<b>12,40</b>	<b>26%</b>
<b>Other Income</b>	<b>2,48</b>	<b>0,09</b>	<b>175%</b>
<b>Finance Income</b>	<b>(0,88)</b>	<b>(0,07)</b>	
<b>Finance Costs</b>	<b>1,13</b>	<b>2,01</b>	<b>(44%)</b>
<b>Total Loss for the period</b>	<b>(5,57)</b>	<b>(7,63)</b>	<b>(27%)</b>



# Group Income Statement Review

	Half Year September 2015	Half Year September 2014	% age Increase (decrease)
Maize sales volumes – MT	6 124	4 989	23%
Wheat & Barley - MT	2 819	2 635	7%



## 2. Margins

The Gross margins at 45% were 6% lower due to:

- increased factory depreciation from new factory in Malawi and revalued factory in Zambia ,
- price adjustments lower than devaluation.



### 3. Other Income

Other Income went up due to:

- exchange gains in Zambia
- Increase in non seed disposals.



## 4. Overheads

Operating costs were up due to:

- Coming on board of the vegetable business ie Prime seeds
- Additional expertise in R & D
- Increased depreciation on PPE in Malawi and Zambia





# 5.1 Finance Costs

These were 44% lower than same period last year due to:

- ✓ Intensified debt collections
- ✓ Access to cheaper bank facilities
- ✓ Positive effects of the capital injection last year



## 6. Earnings

Loss from continuing operations  
down 9%

Total half year loss down 27%.  
Prior year included losses from  
discontinued cotton seed  
businesses



**Statement Of Financial  
Position  
As at  
30 September 2015**



# 1. Current Assets Breakdown

	Sept '2015	March'2015	% age of
	US\$	US\$	Prior Year
<b>Current assets</b>			
<b>Inventories</b>	<b>38,773,680</b>	<b>20,482,833</b>	<b>189%</b>
<b>Biological assets</b>	<b>911,999</b>	<b>817,961</b>	<b>111%</b>
<b>Trade and other receivables</b>	<b>44,997,648</b>	<b>50,386,863</b>	<b>89%</b>
<b>Seed grower advances</b>	<b>5,239,337</b>	<b>6,024,147</b>	<b>87%</b>
<b>Cash and cash equivalents</b>	<b>5,995,796</b>	<b>20,255,496</b>	<b>30%</b>
<b>Total</b>	<b>95,918,461</b>	<b>97,967,300</b>	<b>98%</b>



# 1.1 Inventories

Inventories up due to seed intake from contract farmers

# 1.2 Trade Debtors

Various Governments now owe \$8,7m of which \$4m owed by RBZ was paid by way of TBs after cutoff

A Total of \$26m collected from debtor during the half year period



### **1.3 Held to maturity investments**

These have increased due to additional TBs received just after year end from Zimbabwe Gvt.

### **1.4 Other Current assets**

These have reduced due to dividend payments, acquisition of Prime seeds & funding its working capital and operating costs during the period.

## **2 Borrowings and trade Payables**

Borrowings up due to funding of seed deliveries from production, and some Capex. Average cost of 8.42% per annum.

Trade payables increased due to seed deliveries not yet paid.



**Seed Co Group  
Operations Review  
by  
Morgan Nzwere : GCEO**



# General environment

- Tough environment
  - Weakening Chinese demand
  - Slump in commodity prices
  - Domestic currencies vulnerable
  - Erratic rainfall (*el nino* and *la nina*)
  - Reduced electricity generation capacity





# Currency Crash

Currency	Rate to US\$ @ 1 Oct 2014	Peak during period to 30 Nov 2015	% movement
Zambian Kwacha	6.27	14.29	128%
Tanzanian Shilling	1,672.00	2,325.00	39%
Kenyan Shilling	89.25	106.12	19%
Malawian Kwacha	392.50	604.50	54%
Botswana Pula	9.48	11.14	18%
South African Rand	11.28	14.42	28%



# Research

- 2 soyabean varieties registered
  - SC Signal
  - SC Saxon)
- 2 maize varieties released in Uganda
  - SC637
  - SC719
- SC301 released in Kenya



# Research contd

- Joint Seed CO/Limagrain projects progressing
- Progress being made on MNLD breeding in collaboration with Cymmyt and Limagrain
- DH & Molecular Lab fully functional
- Dedicated DH team in place
- Human resources strengthened with additional hires



# Production

- Approximately 50000mt maize seed available across Group
- Adequate to cover anticipated demand
- Productivity being improved through GTI system
- Adequate carryover forecast



# Processing

- Zambia and Zimbabwe facing serious power challenges
- Having to operate night shifts to meet processing deadlines
- Power supplies being augmented with diesel generators (increasing the cost of processing)



# Sales & Marketing

- First half sales always insignificant
- Volumes sales in total up 11% on prior year
- Maize up 23%
- Wheat up 7%



# Development files

- Nigeria
  - Progress slow
  - Producer base taking long to develop
- Ethiopia
  - Seed Business license still a challenge
  - Trying to get Comesa secretariat involved
- Pakistan and India
  - One white variety doing well and working on commercialisation



# Development files contd

- Rwanda
  - Payment issues hindering further development
  - Strong soyabean demand being monitored
- Uganda
  - Two maize varieties released (SC637 & SC719)
- DRC
  - Extension work continuing
  - Market being destabilized by kwacha movement in Zambia





# SBU Updates

- Zimbabwe
  - Awarded 44% of Zim Govt tender through a structured finance deal
  - Lobbying Government to increase size of input program
  - All outlets fully stocked and merchandiser activities increased
  - Erratic rains affecting shelf off take
  - Increasing GTI beneficiaries in view of erratic rain
  - Borrowings all below 8% all in
  - Finance costs 50% below prior year
  - Emphasis on cost cutting
  - Increasing GTI beneficiaries in view of erratic rain



# SBU Updates contd

- Zambia
  - Govt intervening to stabilize kwacha
  - Pricing challenges due to kwacha movement
  - Government FISP program down by 39%
  - Invoicing FISP in US\$ to protect value
  - Selling soyas for cash
  - Using Intercompany trade as a hedge



# SBU Updates contd

- Malawi
  - Turnover affected by withdrawal of IRLAD Program
  - Government announced an MK14.5b input program but funding not clear
  - Pricing challenges due to Malawi kwacha movement and Government setting prices for input scheme in kwacha



# SBU Updates continued

- Kenya
  - Business showing steady growth
  - MNLD remains a challenge with outbreak in new areas previously unaffected
  - Joint collaboration with Limagrain & Cimmyt to find solution
  - La nina rain conditions forecast
  - Highlands processing facility under construction



# SBU Updates contd

- Tanzania
  - Volumes up by 25% on prior year
  - Late start to rain season
  - Emphasis on increasing market coverage and footprint
  - Increasing activities in the southern highlands – Tanzania's bread basket
  - Local production being increased



# SBU Update contd

- CCU
  - Early start to ISPAAD program in Botswana
  - In SA the erratic rain affecting sales
  - Overheads in line with budget



# SBU Updates contd

- Prime Seeds
  - Contributed 9% to group turnover
  - Consolidation into Seed Co group continuing
  - Other SBUs being resourced with vegetable sales teams



# SBU Updates Contd

- Quton
  - 40% associate
  - Zim govt input programme of 5000mt
  - Structured finance arranged
  - Program to run for three years
  - Tz and Malawi still struggling
  - Technology and skills transfer from Mahyco in progress





# Outlook

- Tough season due to :
  - Regional economic meltdown
  - Reduced Government input programs in Zimbabwe, Zambia and Malawi
  - Erratic rainfall might dampen overall demand
- Emphasis on open market sales
- Adequate short season varieties to boost sales
- East Africa expected to continue on the growth path
- Vegetable seed to make positive contribution to turnover



QUESTIONS????



The African Seed Company