



Jain Irrigation Systems Ltd.

Small Ideas. Big Revolutions.®

Regd. Office: Jain Plastic Park, P.O.Box: 72, N.H.No. 53, Jalgaon – 425 001. India.

Tel: +91-257-2258011; Fax: +91-257-2258111; E-mail: jisl@jains.com; Visit us at: www.jains.com

CIN: L29120MH1986PLC042028

JISL/SEC/2024/10/B-2/B-6

31st October, 2024

To,
BSE Ltd.,
Corporate Relationship Department,
1st Floor, New Trading Wing, Rotunda
Building, P. J. Tower, Dalal Street,
Mumbai - 400 001.
Fax No.022– 22723121/22722037(Day)
022-22721072 (Night)
Email: corp.relations@bseindia.com

To,
National Stock Exchange of India Ltd.,
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (East),
Mumbai - 400 051.
Fax No. : 022-26598237/38
Email : takeover@nse.co.in

**Ref: Code No. 500219 (BSE) & JISLJALEQS (NSE) for Ordinary Equity Shares
Code No. 570004 (BSE) & JISLDVREQS (NSE) for DVR Equity Shares**

Sub: Transcript – Q2/H1 of FY2025 Earnings Conference Call

Dear Sir/Madam,

Please find attached herewith transcript of **Q2/H1 FY 2025** Earnings Conference Call (Group Meet) held on 28th October, 2024 at 4.30 PM IST.

The audio recording of the Earnings Conference Call is also made available on the Company's website at:

https://www.primeinfobase.in/z_JISLJALEQS/files/financials/JISL_Earnings_Conference_Call_Q2-H1_FY-2025.mpeg

Please take the above on record and acknowledge.

Yours faithfully,
For **Jain Irrigation Systems Limited**,

A. V. Ghodgaonkar
Company Secretary



“Jain Irrigation Systems Limited
Q2 FY '25 Earnings Conference Call”
October 28, 2024



MANAGEMENT: **MR. ANIL JAIN – CHIEF EXECUTIVE OFFICER AND
MANAGING DIRECTOR – JAIN IRRIGATION SYSTEMS
LIMITED**
**MR. BIPEEN VALAME – CHIEF FINANCIAL OFFICER –
JAIN IRRIGATION SYSTEMS LIMITED**

MODERATOR: **MS. ASHWINI TRIVEDI – DR CHOKSEY FINSERV
PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Jain Irrigation Systems Limited Q2 FY '25 Earnings Conference Call hosted by Dr Choksey Finserv Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing the star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Ashwini Trivedi from Dr Choksey Finserv Private Limited. Thank you and over to you, ma'am.

Ashwini Trivedi: Thank you. Hello everyone and welcome to Jain Irrigation Systems Limited Earnings Call to discuss Q2 FY '25 results. Today we have on call Mr. Anil Jain, CEO and Managing Director; and Mr. Bipeen Valame, Chief Financial Officer.

We must remind you that the discussion on today's call may include certain forward-looking statements that may involve known and unknown risks, uncertainties and other factors and must therefore be viewed in conjunction with the risks that the company faces. Future results, performance or achievements may differ significantly from what is expressed and implied by such forward-looking statements. Please note the results and the presentation are available on the exchange and on our company's website.

I now request Mr. Anil Jain to take us through the company's business outlook and financial highlights, subsequent to which we will open the floor for Q&A. Thank you and over to you, sir.

Anil Jain: Thank you. Welcome to all for second quarter result discussion and to also see what is the way forward. This has not been a great quarter in terms of revenue or the earning numbers and it has come less than our own expectations.

If you think in terms of Y-o-Y, because especially our business is not sequential, it does get impacted with personality. While India business did not do that well in terms of revenue as well as overall growth, but other business, our subsidiary business for food or overseas plastic sheets business did very well. So, you know, it kind of resulted into approximately 12%, 12.5% negative growth compared to the same period earlier time.

But still company was able to clock close to INR1,200 crores of revenue during this quarter and earned, you know, close to INR140 crores, a little bit less EBITDA. And for the first six months when you think about it beyond the quarter, it's overall on a pad basis, our company has almost, no earning even though EBITDA is, for the six months close to INR318 crores.

So, when we look at what went right and what went wrong during the quarter, that both the businesses in India where we sell drip irrigation to the farmers who are dealers and we sell the pipes and other materials, similar materials also, both of these, did not do as well as anticipated.

Primarily it was like a lot of rains across the area where we sell. On an average rains have been about 20% to 30% more than last year or similar period, which augers well for subsequent

next, four to six quarters. But in this particular quarter, because of consistent incessant rains, it became an issue where fields remain wet and demand for pipe and drip both could not pick up at the farmer level.

In addition to that, there was a fact that there are some states where we could have done a little bit more business, but we could not or we did not because the earlier recoveries were still not good enough. And therefore, we decided not to take that additional exposure. And some reduction is linked to the project business where we have decided to kind of wind down the project business. So that was naturally expected.

All in all, you know, company has done overall INR2,670 crores revenue for the first six months. And typically, you know, compared to our normal revenue, we get about 35% to 40% first half and 60%, 65% second half. And it seems this time for us to be able to meet our annual targeted numbers, we might have to do 67%, you know, 68% kind of in the second half apart from what we could achieve in the first half.

So, when we think about that, what's going to happen in second half, I think with the kind of good rains which have been there and they're just stopping as we speak right up to last week, it has been spinning across the country, a normal, monsoon withdrawal, starts in September, early October, but it has been delayed by about three weeks or so. And so we're anticipating and that's the feedback from our dealers, marketplace, that things should pick up considerably post Diwali holidays.

And so November, December and January to March, the entire five months should remain positive. Some of the business we lost in this quarter, the first half has been linked to some of the business such as the, JJM business where we have a contract and those orders are going to come through, but I think they will come through in the second half. So that can be recovered, what has been lost would be recovered.

We recently got some additional orders related to solar water pump and that would also partially help us to reduce the deficit in the first half so that, overall our annual target, we remain close to when we had started in April. Despite these reductions in the revenue and consequent reduction in the earning, we have been able to maintain a better cash flow. And in fact, if I look at overall consult debt profile, we have reduced the debt by almost close to INR57 crores during the quarter, despite this being a weak quarter in terms of overall revenue and earnings.

And if I look at the cash flow statement, our overall investment into maintenance capex, etcetera, is almost same as last year at this time for the first half, close to about INR94 crores. And we anticipate that our overall, you know, spend on maintenance capex and small amount of growth capex will remain actually a little bit better than the last year. Having said this, if I look at overall as a company consol level, including all the businesses put together, we have generated net cash from operating activities for the first half to the tune of almost INR340 crores, which last year for the same first half was INR303 crores.

So, there is improvement in net cash being generated from operations. And that's a good number to have when we consider the fact that last entire year we had generated only INR534 crores to generate INR340 crores in the first half, I think is definitely positive. And if I just speak about the current quarter, the overall for the stand-alone cash flow generated from operating activities is INR198 crores.

So, when you think about that, it shows you that, it shows that the company has been able to manage its operations efficiently to generate better cash flow, reduce the debt, and continue to focus on, overall improving the balance sheet in totality. When you look at individual businesses, our food processing business has managed to grow globally at about 6%. Our plastic sheet business for the first half, again, overseas has managed to grow almost close to 15%.

We have seen that, you know, while in India the businesses have been slow, our export business from India has also grown substantially. So, too much of rain or these issues were a cause of concern, but where we could, management focused in terms of exports or overseas business or the food business and that helped us to reduce the impact of negative business sentiment in the domestic market, domestic agriculture market.

All in all, I think as we, as where we are overall, we think the second half looks good, and as I said, one, because partly rains have been quite good, that should generate demand itself. We have also seen the cash flow in the ecosystem. So a lot of cash, which was not released due to election and whatnot, has been released as a direct benefit transfer to the farmer, which creates a better ecosystem. That has also happened over the last few weeks.

So that's positive compared to where we were in July or August. And generally speaking, our polymer prices, which is our main raw material for trip and fight business, have remained benign, even though recently, oil had gone up all the way to close to \$80, but it has started, you know, it has come down again. But if you think globally, whether China, Europe, or US, those economies are not really growing that large.

So, we expect over the next few quarters, polymer prices, unless there's some kind of a global shock, either way, polymer prices should remain benign, and that should help to grow the business. Our planning in terms of the retail business and our overall strategy, you know, generally speaking, right, between '21 to '24 has done well. In 2021, our total retail business was hardly, I think, around INR1,200 crores. And March '24, our overall business was very close to INR2,400 crores. So over four years, between '21 to '24, we kind of doubled the retail business.

And the idea over the next three to four years would be, again, double the retail business, right, because as we deepen the network of the dealers and as we cover the additional geographical area, I think that would also add a more urban thing to our piping sales and try and sell pipes also beyond agriculture, while our primary focus has been agriculture.

But we have evolved and developed new product ranges, which will cover all types of pipe requirements, right, whether that's for drainage or that's for rainwater, whether that's for fire

sprinklers, whether for subsoil drainage, for flood control, or desalination project, or in power plants, piping systems are required everywhere.

So we have spent last few quarters to evolve and develop all types of new piping systems where we can go and address markets beyond agriculture, which kind of partly help us derisk and also deseasonalize the business we have. So I think that is what the quarter has been.

So while revenue and earnings, it has been not up to the mark, but I think in terms of cash flow and balance sheet, on that it has done quite well. And we think in the second half, as the revenues and earnings come back and the discipline on the cash flow as well as earnings from the operating activities would allow us to create far more favorable, I think, financial health of the company. And not only financial health, but it would help us to actually set the stone or set the foundation for significant growth going forward.

So I talked about the cash flow even in the current quarter. At the console level, net cash generated from operating activity is about INR212 crores. So as I have said, overall that basis, the company is well poised. We have good production capacities. We have better network than we had a couple of years ago. Raw material prices are quite reasonable and benign. And I think we are readying to go as the market starts to go and capture higher market share where we can. And apart from also consolidating on the higher growth we have in food business or plastic sheet business where we have done well. So with that note, considering this is the start of Diwali holidays, we would not like to take a lot of time from all the investors.

And with that, I would like to close my opening statement and we will be very happy to answer any or all queries which you will have. Thank you again.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sanjay Kohli. Please go ahead.

Sanjay Kohli: Good afternoon, Mr. Jain. How are you doing?

Anil Jain: I am fine.

Sanjay Kohli: Great. So, Mr. Jain, this clarification which you made on the second half that now we have to work harder and get to about 66%-67% for the overall -- to maintain the overall guidance, we are still maintaining the overall revenue guidance of close to INR7,000 crores, or we have to -- because this quarter there has been a bit of a setback, do we sort of revise it a little lower?

Anil Jain: I think any of our guidance, it is a bit qualified with the seasonality. But I think while this quarter was bad, if I look at the first half in total, if you look at it, the company has done, compared to last year, almost INR500 crores. And then, let's say, we were planning to grow at least double digit growth, 10 to 12, so we lost INR200 crores there. So total shortfall in the first half compared to our estimation is in total INR700 crores.

Out of INR700 crores, based on specific orders we have in hand, which were not there this time and so on, I think about INR400 crores to INR500 crores will be covered. The remaining INR200 crores, whether it will be covered or not, depends on how strong the season is in the

month of February and March. That is a little bit difficult to say. So I think if our original expectation was this 10% to 12%, I would say at least 7% to 8% we are still calculating for sure. Anything above, right, despite this INR700 crores reduction, let's say, compared to estimation, as a Y-o-Y comparison, we are still feeling okay.

Sanjay Kohli: Okay. Thank you. I'll rejoin the queue, sir.

Moderator: Thank you. The next question is from the line of Praneet, an individual investor. Please go ahead.

Praneet: Hello. Thank you so much for your time, Mr. Anil. Sir, questions about basically the trade receivables. So right now, in the last four to five years, we've taken a loss allowance of about INR200 crores. I'm curious about how much was it a factor of the government-linked projects and something else.

And you also mentioned in previous con-calls that there's a few states like Andhra, Gujarat, Telangana, and Tamil Nadu to have government -- that government procures on behalf of the farmers. And Andhra has had a lot of -- has a higher level of trade receivables. To what tune is the trade receivables in overall this particular channel of government procuring for the farmers? And how is it with Andhra's trade receivable situation at this point of time?

Anil Jain: So I think Andhra trade receivable is better than right now compared to, let's say, what it was in June quarter. So they have been able to release some of the old receivables over last four to eight weeks. And indications from the government is that by end of November, early December, so let's say before end of December quarter, they will be able to clear all the old outstanding. So that's quite positive news.

We saw over the last four to eight weeks again that from Gujarat itself, considerable amount of old outstandings were released. So at least two states we have seen a definite positive indication of old receivables getting down to the lower level. Overall, these -- where the state's view on orders on behalf of the farmer, there is no delinquency, right? There is a delay. But as I said, two of these major states, we see significant improvement. And we anticipate by December, everything old will go away and only the new receivables which we create now should stay. So that's a positive development.

And that is what you see that overall cash flow generation has been, generally speaking, better for us despite weak sales. Overall, the second part of the government, right, which we have this EPC project, again those projects against those accumulated receivables for a long time of time, we have taken some provisions over the last few years.

And as we complete this project, over a period of time we have been trying to complete them and bring them to closure. And now I think over next maybe somewhere between two to four quarters, we expect to kind of more or less 90%-95% projects will get fully done and completed. And then the remainder of the cash flow should already come through between FY25 and the remainder of six months in FY26.

And we don't anticipate on our books any receivables left post-FY26 linked to the project business, which is currently around INR850 crores outstanding. So we anticipate between FY25 and FY26 that entire portfolio should come through from where it is now.

Praneet: So we don't expect to take a further impairment loss of provisions going forward in the next one, two years, where we expect to receive the rest of the amount, right?

Anil Jain: I don't think it would be any significant sum. As we close the project, there could be, you know, small amounts here and there because you won't know unless you close the project and government does measurement, etcetera. So it's a little bit of unknown. But based on all what we know and what we are doing, we don't anticipate like in '23, I think '22 and '23, we took significant provisioning. We won't anticipate that type of provisioning related to receivables from the project.

Praneet: Understood. One more thing about the tissue culture. Tissue Culture Division has been providing immense amounts of growth to the company. And you mentioned that it had also a significant EBITDA contribution going forward. So I'm curious about basically the inventory holding cycle of this particular business. As we are growing, because it's an organic product, it tends to be perishable, right?

So how long can it stay in our inventory before it has to be sold? And what kind of inventory losses or inventory write-downs we need to take if the inventory stays with us for longer? Like what is the duration between the finished product and the sale of the product? Like what is the – how many amount of days we can keep it as inventory after it's finished?

And on top of that, I'm curious about the scaling process. In FY23, we did about INR50 crores investment in the business. And we managed to increase our production by around like 20% from FY23 to FY24. Is this the maximum amount of increased production we can take out of the INR50 crores we invested in FY23? Or is there more to go?

And one more thing regarding the inventory. Right now this year, I think we have around two, not six days worth of inventory for the tissue culture business itself. So how do we see this trend going forward? Is it going to remain in a similar way? Or as it matures, it might go down a little?

Anil Jain: So I think there are a lot of questions in one question. But by and large, I would say that in the tissue culture business which we have, right, we are growing plants, right? Now so – and the plants are delivered to the farmers so that they can plant in the field. So just to take example of our main product, which is banana. So some of the farmers across the country, let's say, would be planting banana in January or even in March, like over a longer period of time depending on season in each geographical area.

So the amount of the inventory we carry is at a different stage. So plant, you know, let's say a plant, once we start from a tissue, we generate a plant. A plant will be one week, then it will grow to two weeks, like that, right? And it will be with us at least, I would say, let's say for about six months, give and take, at different stages when it is growing.

So let's say 24 weeks, right? So I will have some inventory of two-week-old plants and some inventory of 24-week plants. Now the selling model for us is, all of our plants are kind of booked by customers saying that, look, I want, so now only I know that up to February or March, all my plants are sold.

So all customers have already booked the plants. And as they get made or as they reach the maturity of six months, so that they're ready to be planted in the field, they will get delivered to the farmers. And then we start new again, right, in the cycle. It's an ongoing cycle. So inventory is dynamic to the production and the market demand, both.

I think as the overall tissue culture business for us has been generally improving over a period of time. We expect, even in the current year, business to grow, I think, overall to about INR300 crores to INR350 crores type of scenario. And because it's higher-level profitability, even if you carry a little bit of inventory, part of the inventory gets paid because you receive advance from the farmers.

When they book, they provide 30%. And on the day of delivery, you get fully paid. So it has its own working capital cycle. But all in all, I think I would say for the total capital employed in tissue culture business, we get, I think, more than 20% return on that capital.

Praneet:

Understood. So, but like, you had a two-phase plan for this particular business, right? In the phase one, you wanted to reach INR500 crores. And in the next five to seven years, you want to reach INR1,000 crores. So at each phase, what EBITDA margin could we expect and EBITDA contribution could we expect for the entire business, like from this business to the overall business?

Like what could the EBITDA margin profile be for individual level and what is likely to be the contribution level to the overall business?

Anil Jain:

So I think, you know, the margin for last few quarters has been hovering around 30% at the EBITDA level. And, but some of the, what you call, the cost of the ingredients or the soil-less media, etcetera, have gone up with overall inflation. So we are in process of actually improving our prices to customers so that we can capture that and maintain our overall profitability.

So I think medium to long term, this level of profitability would be maintained, even though there could be particular quarter or two where it may go down, till the time it gets adjusted in marketplace. But all in all, despite the new growth or higher growth in the revenue, we anticipate the profitability to be maintained at this level.

Now, as we go along, you know, you talked about INR300 crores to INR500 crores. Now INR300 crores to INR500 crores would mostly happen with similar product lines which we have today. So more of bananas, more of pomegranates, more of potato, these four or five major product lines, more sweet orange, etcetera.

But when you want to move from INR500 crores to INR1,000 crores, right, we'll be adding other product lines and they may not have the same level of EBITDA profitability. They might

have 25%, for example. So it's very difficult to predict as of now what would be the EBITDA profit after five or seven years.

But I think for the next two, three years, we feel comfortable to say that whatever growth we are hitting to go beyond that INR500 crores number, we should maintain this level of profitability.

Praneet:

Understood. Going along the lines of pricing itself, you mentioned that you could trace the price or what it might be dynamic. So in most of the products we operate in, we are the market leaders, whether it be tissue culture for banana or irrigation, everything. So does this market leadership position avail us a price premium on an overall basis or like how is it?

Because you mentioned in previous con-call, despite the volume of price fluctuations, you are able to maintain your margins. With piping, with regards to piping, you told that you changed the price depending on the time, like dynamically, it was always varying. What about the irrigation business and tissue culture business?

Do we charge a premium or how is it compared to its competitors?

Anil Jain:

So I think if you look at irrigation business, typically and in India, a large amount of ecosystem of people who produce drip and sprinkler, I think more than a few hundred people, right? 300-400 people. So maybe there are more, let's say 20 organized players and 380 non-organized players.

Non-organized players will be typically 30%-35% cheaper to us. They will sell non-ISI products, etcetera, etcetera. Among the organized players, where the states are providing orders themselves on behalf of farmer, pricing is similar for everybody. But there are markets like Maharashtra where everybody is free to do their own pricing.

There, our product carry premium because of the quality, the brand, you know, the knowledge transfer which we provide to farmer, etcetera. In case of tissue culture also, there are lots of labs in the country who provide tissue culture plants at, I think, 30% cheaper than us. So, but again, because of quality and the higher output farmer gets for every plant he buys from us, they continue to pay us those higher prices.

So we always try and optimize, right, that whatever pricing we have should give us the necessary margins to continue to grow the business and reinvest in the business. But at the same time, it is cost competitive for the customer. So that's the right balance we follow. But we have a price leadership in both of these businesses.

Praneet:

Understood. With exports, you, in previous communication...

Moderator:

Sorry to interrupt sir. Mr. Praneet, could you please fall back in the queue for further questions?

Praneet:

Yes, sure. It's one last question if you don't mind.

Moderator:

Sir, actually, there are participants waiting for their turn.

- Praneet:** Got it. Thank you.
- Moderator:** Thank you. The next question is from the line of [Sumant Paul 32:41] from Relay Investment. Please go ahead.
- Sumant Paul:** Yes. Hi, sir. I just wanted to ask, could you just mention the number of -- I mean, could you just give the receivables which we have completed in this quarter vis-à-vis FY... end of FY24? And by when do you think you... we can practically assume because we had earlier guided for closer to Q4 of FY25. So, that is the first question. I'll follow up next.
- Anil Jain:** So, I think, you know, if I look at March '24, and if I understood your question correctly, overall gross outstanding, the retail where about INR1,988 crores was the receivable at March '24, which is now at INR1,930 crores. When I look at the India business, which is more, let's say, receivable focused due to the government subsidies and the long projects, etcetera. So, it has improved overall compared to March.
- And when you look at individual breakup within that, right, in terms of retail versus institutional, government project, etc. So, when I really see the government and non-government project. Government I think project outstanding September end is almost same as it was March end. The reduction which we have achieved is also on some of our export receivables. We have achieved receivable reduction in this where government places order on behalf of farmers. We talked about earlier a little bit about Andhra and Gujarat where we have recovery of old receivable.
- There it has gone down, but as we have said earlier, I think by March of this year FY25, you will see significant improvement in this number of INR1,930 crores because of reduction, one-time reduction as the project receivables come through as we close the project. And then our overall days outstanding DSO, would also be substantially improved. If I really look at right now, non-government receivables there may be closed already 98 days or so. And the government receivables are much higher, but as I said now sales are going down and receivables still remain high, but as you go into March, you will see a substantial change.
- Sumant Paul:** Sir, I think it was more pertaining to the ones, not the regular state of business, but just on the government side because I think I have been hearing this that we are on course of reducing the receivables. But like you said, there has been no significant number on the government part. So, sir, given the fact that I think Maharashtra election dates are around and then there will be Code of Conduct. So, how do you think that can we kind of manage a significant because this is something which has been a bit of a bother other than the factors which are beyond your control like your emotions. Can you just throw some light on this particular part?
- Anil Jain:** Yes, I think, you know specifically Maharashtra we expect post 23th November things should get back to normal once the results are announced. But out of the project business Maharashtra is not that big out of the receivables, Maharashtra has maybe 15% of the project receivables. Just to quickly cover what you are saying, if I really see and I will just look at last 4 years quickly. So, 21 on the government projects we recovered INR500 crores. In 22, we received INR667. In 23, we received INR857 crores, in 24 INR436 crores. So, when you look at just

our last 4 years on government projects specifically, close to about INR2500 crores have been recovered.

But at the same time, as we are completing the various projects. We have done also the new billing which is maybe close to INR2100 crores. So, if I see in last 4 years, the new billing on government projects has been as I said close to INR2,100. We have recovered 2500. So, overall reduction of INR400 crores has happened during that period of time, but today we are not now doing our billing this year may be down to INR250 crores to INR300 crores as we complete the last stages of the project and next year, it may be down just to maybe INR100 crores to INR150 crores that is the remainder part.

But we need to recover around 850 plus whatever the remainder billing I spoke about. So, over the next 2 years close to maybe INR1,150, INR1200 crores would come and that way overall receivable currently as I said INR1930 is the overall receivable. We expect this out of that about INR800 and odd crores will simply go away for all the time. And company's receivable size will be down to INR1,00, INR1,100 crores of all other businesses which are there.

Management:

I mean I really hope sir because I think the reason why you said a lot of people are doing good business with government as of now. But I think that is the reason why we are having the current market gap because there are too many past activities for which we are overdue.

Sumant Paul:

Sir, one more thing I just wanted to ask, do you kind of foresee that EBITDA from our [inaudible 38:41] business, it's outgrowing or outpacing all the other segments combined together because that I think is the jewel in your crown currently, is that less receivable, high EBITDA kind of margin [inaudible 38:57] specifically being that banana hub for not only India, I mean, mostly going for export. So, I mean on a longish view, do you kind of foresee that EBITDA from tissue itself should outgrow or be more than combined other businesses together?

Anil Jain:

See, so let's say even tissue culture grows to INR1,000 crores and at 30% EBITDA if you maintain it will be INR300 crores. But Drip today let's say INR2,000 crores with 15%, 16% EBITDA is already more than INR300 crores and Drip will continue to grow going forward as well. So, when we look at businesses we are looking at the idea is that the Drip as we move forward, once the projects are out of our life, my normal receivable cycle on Drip is also quite low.

With the retail cycle of Drip will be less than 30 days in terms of receivables. And for on that business to move as we improve production capacity utilization, move from current 15%, 16% to 18% EBITDA, that could provide a great ROC as well as tissue culture is providing. So, our focus is not just on absolute EBITDA, but overall improving the ROC cycle.

And there, the idea of going forward as we use this government receivable as they come back, we use to deleverage ourselves to pay off all the term debt and NCDs, etc. The idea of going forward that individually as for the new business cycle, the retail business cycle, whether for Drip or whether for pipe or tissue culture, should all generating North of 20% ROCs for sure. And so, that's where our focus is on, that's where we want to bring our working cycle to.

And while Drip may be 16% to 18% EBITDA, pipe may be 12%, 13% EBITDA, tissue culture may be 30% plus EBITDA, but overall then when you look at capital involvement then each of business should be focusing on more than 20%. And I think definitely we see 26 onward achieving these numbers.

Management:

Just one small last personal thought, sir. I think we've been trying to be aggressive, but fortunately or unfortunately we've been falling below our guidance. So, I would really hope, sir, we have a time where we are at least able to at least meet the guidance which we are giving and perhaps exceeding that would be beneficial because we are really far off from what we should be from where we should be. So, that's a personal comment. Thank you.

Moderator:

Thank you. Thank you. The next question is from the line of Praneet, an Individual Investor. Please go ahead.

Praneet:

Yes. Thank you for the chance. So, I was curious about the exports. So, the company was expected to achieve around 30 million from the year one of the partnership between Rivulis and us. So, how are we on track with the particular plan for that? And in Q1 of this year we did INR86 crores of revenue from exports. Do we expect to follow the similar run rate going forward in the year? And out of this 86 and overall contribution over the year what is expected to be contribution of Rivulis and other direct exports from Jain to neighboring countries?

Anil Jain:

I think, generally speaking, exports are improving. I think apart from the good exports which we had in the first quarter, this quarter also we have registered very good number on export growth. And it is combination whether Rivulis or the other customers which we have in totality. In fact, if I look at in the second quarter overall exports we have registered close to about 14.5%. So, almost INR100 crores I think we had in the second quarter. And for the overall first half, our exports are at INR188 crores as against last year's INR146 crores.

So, registering 29% growth. So, it's combination of Rivulis plus others. And there are some other I think projects related to exports which are in pipeline as we speak. Order flow is also good from Rivulis as well as other customers. So, we feel quite okay on the export side in terms of what is in pipeline, what we see already kind of your view on it and rest so that export what we have maintained this year, first half 28% growth I think would be something that is our target for the whole year to maintain similar level of the growth.

Praneet:

So, but in next 2 years to 3 years, how do we see this trend going forward like is it going to -- because you mentioned highlighted Bhutan in one of the earnings call saying that we have been giving a significant amount of product to Bhutan and we are also expecting it to go to other neighboring countries. Because as part of the partnership, we are not supposed to go further than that. It's only mostly neighboring countries for the irrigation business.

So, how do we see the direct sales from Jain to neighboring countries going forward like to what quantum can we expect sales from neighboring countries in the next 2 years to 3 years and from at least INR200 crores to INR300 crores and from Rivulis itself how do we expect these revenues to grow in the next three years because we expected 30 million the first year

and I don't think we are close to that yet as of yet as of such, but going forward can we expect 100 million run rate for this particular partnership or how is it going to be?

Anil Jain:

I think the idea over long term is there that we should grow to that level, but as of now the first stop was to go and hit that 30 million number, but company, let's look at the overall export. This year our target is cross INR500 crores total exports. And that's not just irrigation export, but also piping. I think we have some good traction on piping. We export plastic sheet and drip irrigation. And our internal target is while this year we close or cross INR500 crores, but the strategy which we are setting up is that over next three to four years on that 500 crores, how do we double the exports of the company to take it to INR1,000 crores?

And good part of that, apart from Rivulis which you have mentioned has to come from the piping export, has to come from nearby countries where we can sell irrigation. But if you think about Bhutan and Nepal and Bangladesh and Sri Lanka, etc. these countries do not have very large budgets of their own. So they will depend typically on multilateral funded projects, right, to improve their agriculture or irrigation systems.

And we are working on some of these. If they come through, then that would give a big leg up to this growth potential in the region. But meanwhile, currently, you know, we are supplying to Bhutan.

And I think, as I said, so what you see this year for top growth of 29% means we are selling more to Rivulis, we are selling more to nearby countries, as well as our pipe exports are also growing. And as I said, this particular quarter, in fact, exports have grown close to overall 15%. And within irrigation, irrigation growth was 48%.

So, again, quarter to quarter variations can come. But generally speaking, you know, if we are thinking that domestic market in India will grow to 10%, 15%, our thought process internally is that exports must grow 20% to 30%.

Praneet:

Understood. So we, I think plastics have lifted the boat for the last two, three years very much after especially the drop in revenues after the sale of international business. Plastic has taken it up and we have been growing significantly in the plastic division. And you mentioned that plastic sheet division especially has been giving you north of 20% RCE in the overseas business. How do we see that panning out going forward? Like what is the volume expectation, amount expectation we might see in the next three to five years for the only overseas division?

And how big is it in the plastic division on an overall basis? Because piping, and one more thing about piping is that you also mentioned you wanted to go to the urban markets and actually grow apart from the agricultural use at this point of time. So what are the efforts we are putting into this? And how can we make inroads like in the next two to three years can we see that we actually meaningfully get market share in this particular urban or residential market? Or how do we see it?

Anil Jain:

So I think you have to break your question into two. One is about the overseas plastic business and one is domestic. So if you look at overseas plastic business, that has done well. I think if

you look at the first half, this business has grown 15%. And as you know, most of the economies in Europe or U.S. are growing 2% or 3%. So overall our business has been doing well.

But, you know, because overall economic growth is not very high, as long as we maintain this 10%, 15% growth, I think through mostly organic, but maybe some inorganic aligned opportunities, that would be good. And it has a good ROCE, good level of profitability, because I think that business also has maintained close to now 13%, 14% EBITDA. So our long-term plan is to be about 12% EBITDA.

You know, and it is somewhat a commoditized business, right? But within that we have some value-added products for the U.S. building market, etcetera. So it's not plastics. It is more you could look at as a building materials product as part of our portfolio. And as I said, doing well, we expect to continue to do well despite headwinds in some of the markets around the world because of high interest costs, etcetera. Now they have started bringing down the interest costs, so hopefully their economy is for more.

And we have strong balance sheet overseas, so that looks good. In terms of domestic piping business, overall plastic, as you rightly said, has done quite well for us to take the company out of difficult times, and it really supported us. And again, this quarter was the overall week for all product lines, including piping.

But generally speaking, I think we are very, I think not just ambitious, but we feel very confident about piping business because whatever business we have, right, you know, close to INR2,000 crores or whatever that size is as a plastic business, we are still in only limited part of the country selling our product. So larger rural area, we still cover other geographical parts of India. And within the areas we are already operating, selling to urban applications such as plumbing, residential buildings, etcetera, that whole portfolio has kind of built.

We are still slow on uptake on, you know, building distribution into urban areas, but, you know, I think you will start seeing maybe from January quarter a lot more revenue coming from this particular aspect. So again, if we are, you know, we're talking a little bit of medium-term, three-year-plus scenarios, we are very gung-ho on the plastic business especially because that particular business is not linked to any subsidies. It's not linked to specific government policy.

There's still a lot of demand in that sector. And as we increase our availability and our dealer base into areas where we are not operating, and despite the fact there's a lot of competition, but there is always a market for, you know, good quality brand, you know, which we have. And so we might be operating just in, you know, 30% of the market, which is focused on quality, but we would still, you know, be able to get certain market share there.

So all in all, very positive on the plastic pipe business in India. Overall quite happy with the overseas plastic sheet business, but I won't say overseas plastic sheet business can do miracles, right, because those economies grow small, and the numbers we already have, whether ROC,

whether growth, profitability are already good. So to maintain that would be nice, but stupendous growth one would anticipate would come only from India plastic pipe business.

Praneet:

Understood. But I think we primarily grew in plastic division because of our innovation, right, during projects or whatnot. So what was the project size in the overall plastic business? Because you mentioned that there's a small division in plastic that you're doing GPC or like projects with. So what was the size of that? And going forward, and you also advocated for the point that you wanted the entire piping industry, especially PVC, to get together to join a coalition just to enter the market similar to cement or other piping.

So how is that going so far? And like, how do we expect us to enter this market? Because you mentioned that you've been slow in entering the distance and these markets, right? So how are we doing? How are we expanding our distributor network? Right, right there.

Anil Jain:

As I said, we continue to grow the piping business into new areas as well where we have, you know, we are developing new dealer networks. I answered your specific question related to plumbing, etcetera. There we have been slow, but the normal retail business, we are already growing across the country.

In terms of the EPC part in piping, we are not taking – we have not taken any new EPC projects in piping for last three years. We are only completing – and most of the existing projects we have completed. One last project, which is for drinking water supply in a large city, we need to complete, I think, over the next 12 months.

Maybe that gets completed by 2026. It will be done and over with. That will still bring about INR200 crores of still additional revenue to us as we complete that project. But thereafter, our focus is on retail because, again, retail brings best ROC and huge amount of volume growth with an excellent working cap cycle.

Praneet:

Got it. So, like, going forward, we want to reduce the debt by a combination of infusion, receivables, and all of that. So how confident are you going forward? You mentioned that you'll be probably repaying about INR200 crores a year in overall principal payments and whatnot just by keeping up with the payments. So, like, how do we see that? We expect to – how much do we expect to repay as soon as we get the money?

And, like, how are you planning on repaying it? Because right now, the EBITDA has been under pressure due to headwinds and whatnot. In the case this is going to continue for the next few quarters, what is the plan for the company going forward to make sure they keep up with the debt payments and how are we planning on repaying the debt and reducing the de-leverage in the overall business?

Anil Jain:

Yes. So I think we did not have any pressure on repayment even though business was down this particular quarter. And as you saw, we have already reduced the debt. Between now and March 26, we have close to – a little bit close to INR300 crores of debt which is falling due for repayment, right? So that will get repaid on the debts based on the internal accruals plus the receivable collections which we have from the government projects as a combination. And

there is enough room or, you know, cushion there where we don't have to worry about repaying the debt.

The other part is the 0% entities we have in India. Part of them needs to be, again, paid between – overall, that needs to get repaid between now and 2028. So we have about three years to pay off that about INR800 and odd crores of those entities.

So between, again, our accruals, even at the current level of accruals, let's say, just March 24 level of accruals, without even growth, and some receivables coming from the projects should suffice to provide for full repayment of those entities. So after the payment of these entities as well as normal debt which is falling off between now and 26, what would be left would be only INR1,500 crores cash credit working capital debt into the main company. And that, you know, by then, hopefully, EBITDA is INR700 crores-INR800 crores, right?

So then you can sustain INR150 crores of interest or more interest on INR750 crores of EBITDA. So we don't foresee that as an issue thereafter. So, you know, generally speaking, right, we had big debt issue three years ago.

We are quite, you know, balanced now on the debt issue. It is no more a concern. Of course, it needs to get repaid. And I think for two, three years, majority of debt will get repaid through internal exports and better working capital management. And overall, you know, our equity is INR5,000 crores, debt is INR3,500 crores. And as we go along, debt will continue to go down as profits come in. So debt-to-equity ratio would be, I think, going forward less than half. So all in all, I don't foresee debt is an issue.

Praneet:

And in the agro division, I think we were not able to concentrate on the division because we were going through a little bit of trouble in the main company, right? But, like, how do we see it going forward? Because many companies in the space will get on to the PLI scheme to grow their businesses in a very effective manner because government support was there.

So how are we going forward on the capex of this and capacity utilization on the overall basis? Because scaling up production in this business also is very capital intensive, right? How do we plan to sustain this growth we are expecting of 10% to 15% despite it being a mature business?

So how do we see that going forward? And in terms of the spices also, are we also planning on catering to the international markets, like, such as exports?

Anil Jain:

So, first, quickly, we do export. Actually, out of agro-processing business, almost 40%, 45% is already being exported to 50 countries around the world. Second, we already have good level of production capacities. So I don't think we need to put a lot of capex to take the revenues to the next level. As things are stabilizing overall into the business, I think next 3 years we can grow, especially India business. Food again has two components, India and overseas.

So let's say this year if we do INR1,800 crores, let's say India would be, INR700 crores, INR800 crores and overseas is INR1,000 crores, INR1,100 crores. That's the breakup. Overseas is doing quite stable. And, as again, those economies are going to 3%, we should maintain growth of 8% to 10% overseas business for annual basis. And the India business, as

we use more production capacities, we will have ability to take this INR600 crores, INR700 crores to maybe or 3 years to INR1,200 crores, INR1,300 crores, depending on the market and the demand.

So, and there is a competition and people get PLI and all of that? That is true. And we were not there at that point of time. But, and because you said that business is working capital intensive, because that is the nature of the business, that you process inventory in short period of time and sell over a longer period of time.

We are also conscious of that fact and as a group, as a combined console entity, we want to take our working capital cycle, free cash flow, we have a focus. So we won't be investing that much more unless the business terms change to improve working capital cycle. But I think next 2, 3 years, we have a clarity that without putting too much of new capital into the business, we will still manage this level of growth, which I am talking about, as well as better earnings.

Praneet: So we don't expect to see like substantial any debt reduction from the main company side to infuse into the business?

Anil Jain: I did not get your question?

Praneet: Sir, I was wondering if the main company would want to invest further into the subsidy to improve, let's say, most of its working capital, like to reduce some of the working capital and further infuse equity. That is not in the books right at this point of time?

Anil Jain: No. We would not be investing new money out of the parent into the subsidiary. I think we would expect subsidiary on its own to improve its balance sheet.

Praneet: And sorry for bothering you with so many questions, but like one last one...

Moderator: Sir, the time has exceeded. We will move on to the next question. Okay. It's from the line of Sanjay Kohli from Gold Stone Capital. Please go ahead.

Sanjay Kohli: Sir, I wanted to know the relationship with Rivulis in the domestic market, basically. They are selling to them. They are doing their own brands. They are our competitors. What is the trade relationship with Rivulis? They are our competitors?

Anil Jain: They are our competitors. They have their own business. We have our own business. We compete with each other as far as Indian market.

Sanjay Kohli: Where do they source? How do their products? They've got manufacturing sites here in India as well?

Anil Jain: Yes, they have manufacturing sites. They have been existing here. I think they are manufacturing here for more than a decade. It's quite old. And they operate on their own. We don't have any view into their business. It's an arm's length market competition.

Sanjay Kohli: But we are exporting to them also. We export to them. We have our investment in their parent company. They are competitors here. And they owe us money on a trade basis. They are our customers as well?

Anil Jain: This is part of a complex international deal, right? We did a deal. We got a \$500 million valuation for our business from Temasek. That helped us to reduce our debt by \$350 million. We continue to hold the stake into the company. They continue to buy products from us. We continue to compete with them in India. Those are the facts. They are all transparent. They are all arm's length. They are all market based.

Sanjay Kohli: Do they have any tech which they provide to us for our products?

Anil Jain: No. We have adequate tech. We ran a global company. We have every technology which we need to sell in India or any other place.

Sanjay Kohli: Okay. Great. Thanks.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today's conference call. I would now like to hand the conference over to the management for their closing comments.

Anil Jain: Thank you all for a lot of questions and a lot of insightful questions. Overall, as I said, this quarter was a weak quarter for us because, again, this is typically the weakest quarter, but it was even more. We were surprised. Despite so much of rain, overall rural demand was slow. All the feedback we have from customers is that it would pick up post-Diwali.

With some additional specific projects or work or orders we have, which we have negotiated, we feel the second quarter would be much more robust compared to this particular quarter or the first half. Within organization, we are trying to keep up the momentum and tempo to try and meet the original target. We might fall a little bit short of the original target, especially I would say maybe on the revenue side, but with whatever efforts we are doing on the cost and better product make, at least on the earning side, we will try and stay what we had guided at the start of the year.

Having said this, generally speaking, each of business in medium term, whether Irrigation or piping, our focus is to continue to improve working capital efficiencies because that would generate that free cash flow, which would allow us to continue to deliver ourselves while growing at the same time and unlock the value for the business.

Overall, the company maintains its leadership in technology, in marketplace, in brand, in pricing power, but some of the legal issues like this project receivables is still holding us back. I think as that gets sorted over the next few quarters, we as a company will be more nimble and will be able to move faster during that period of time.

This quarter, again, not great, but overall I think with the positive free cash flow we have generated, a lot of cash we have generated from operations, the fact that we have been able to reduce the debt during this quarter, a fixed volume of generally overall team working towards a particular goal, and as demand starts coming back, I think second half should be much better

and overall I think when we speak in April or May, hopefully we see a positive outcome for FY '25.

We thank you for all your interest and I wish you again everybody a happy, prosperous Diwali and good time with your family. Thank you.

Moderator:

On behalf of Dr Choksey Finserv Private Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.