



“Jain Irrigation Q1 FY 2015 Earnings Conference Call”

August 12, 2014



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Jain Irrigations Systems Limited
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Moderator: Ladies and gentlemen, good day and welcome to the Jain Irrigation System Q1 FY 2015 Earnings Conference Call hosted by Axis Capital Limited. As a reminder all participant lines will be in the listen-only mode. 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 “*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Hemant Patel of Axis Capital. Thank you and over to you Mr. Patel!

Hemant Patel: Afternoon everyone. Pleasure to have you for the Q1 FY 2015 Earnings call for Jain Irrigation. We have with us from the Senior Management team Mr. Anil Jain – Managing Director and CEO, Manoj Lodha – CFO and Pradeep Tibrewala – Senior Vice President Finance and Investor Relation. To start the call with brief remarks from Mr. Anil Ji and then we will open the floor for Q&A. Over to you sir!

Anil Jain: Welcome to all and good afternoon. We came up with our results yesterday evening late and as you might have seen from the results our major business Microirrigation within India has done very well and at 31% growth we believe it has got back on to the track where we wanted it to be and to see that it fulfills the potential what is out there in that business. In this particular quarter the export business in Microirrigation was less by almost 57% at 50 Crores against last year 96 Crores and the reason for that that last year partly in the first quarter and partly in second quarter we had a very large \$23 Million order from Africa which is not here this year at least in first half we are expecting some orders which are in pipeline but those might get executed once they come through in the second half.

So overall you see 10% growth in MIS but heartening fact is that we grew 31% in the domestic business in that and we are very happy about that. Because under the new model which almost two years ago you know there was almost disbelief that why would farmer pay cash why would farmer borrow a loan from the Bank and how all of this will happen. So but it is working well and we think it will further improve. And this also underscores another point which was covered in the earlier call that there is enough money available from the Central Government and the State Government to ensure this level of growth and there was this discussion that the amount has not increased in the budget etc., and I do not want to go into that debate again but whatever may be the budget and what has been there we have been able to manage this growth and we think for the rest of the year also the signs are very positive. Even though our interactions in Delhi with various government levels do indicate that come next year and the next budget one would be very clear positive direction on those allocation, but that is in the future and right now lets talk more about the present.

Second big positive in this quarter has been also very good growth on the food processing side. Onion business grew almost 31%. Fruit grew 47%; combined food business grew 42% in terms of revenue. That was also very encouraging signs.

In food business especially the domestic business did very well, so there was lot of consumption of the juices so we could sell more pulp, there was a hot summer and rains did not come up to the June end so that also I think gave little bit additional growth momentum for the domestic consumption. Export partly were subdued during that quarter especially in fruit because the Middle East area due to all the disturbances was somewhat weak but we made that up into Europe and other Asian territories so that at least we do not have negative growth in export in the fruit side.

We recently completed processing Mangoes for the full season and I would like to report that it has been a good season. We could buy good amount of quantities, process we have you know very large amount of orders so all in all food business seems to be destined for 20%-30% band towards the higher level of that band type of growth. So these were the two big positives coming in this quarter. Coming to positive and then I will also cover challenges.

The third positive which we saw was continued deceleration of the receivables and in fact the government subsidiary receivables came down almost by 50 Crores or so during current quarter and we expect that every quarter as we go along they will continue to go down and as we have predicted the start of the year that that figure of government related subsidy receivables coming from Microirrigation business will be 200 Crore or less by March 2015 and we are on the track to achieve that and that is also good sign and that shows that overall companies moving right direction there and as we collect some of these receivables as we go forward eventually we would be able to use that money for repayment of some of the working capital debt and so on so that we can fulfill our target for the current year to reduce the debt by 300 Crores.

During this particular quarter debt has gone around about 100 Crores but that seasonal nature of the business in a sense because we build so much of inventory on the food business and we have to pay cash to buy all of these raw materials, debt does go up during this period. That is traditional. That is normal and our overall recoveries happened lot in second half so if you would recall last year also were reduction in the debt of 250 Crores or more in the fourth quarter and in the first, second and third quarter actually amounts had gone up. So this year we are expecting between first quarter and third quarter will now the debt has gone up by 100 Crores but by December that will get neutralized and in the last

quarter or between December and March this three or four month is when actual debt reduction will happen to the tune of 300 Crores so we believe we are on the track there in overall control there seems to be good.

The fourth positive point about this quarter performance has been that as you might notice that our overall revenue out of India standalone business grew hardly 1.8% and I will come to that for the reason but overall you know we have grown 10% as a company so that means our overseas operating subsidiaries did very good business. They grew almost 26% in this quarter considering the nature of those economies this was the stupendous growth and some of our effort for which we have been working over last few quarters they are paying dividends now and not only that sell growth was more but overall management of business is now better so that I think this is the first reported quarter where our overseas businesses all of them put together operating subsidiaries, holding companies as well as the marketing subsidiaries have turned out to be positive at PAT levels.

If you also may recollect earlier always the standalone would have a 'X' results and consolidated would be even small amount may be \$1 Million, \$2 Million, 5 Crores, 3 Crores, 10 Crores would be a negative from the standalone, this is the first quarter where standalone profit was at 16 Crores and consolidated profit has come at 20 Crores so overseas market and overseas companies doing well, being strong and robust and also being positive at the PAT level. That I would say was the fifth positive part of this particular quarter. But some of this events what you see the net outcome now work for that has been done on the earlier quarters and we hope and we believe that these things will continue so we hope that overseas subsidiaries for the whole year will continue to have very robust business.

The receivables will continue to go down, balance sheet the debt we will be able to bring down, MIS business even though the project and export market may not have full clarity how exactly to plan for that and I can talk little bit more during the call about that but overall Microirrigation business sustained growth is very much there and especially on this cash model we have moved not as I spoke may be in earlier couple of calls not only Maharashtra but most of business in Karnataka most of business in MP etc., and some business even in Northern States is happening now on a cash basis and we plan to increase that footprint where in the current year by FY'15, March '15 most of our what we call retail business which happens through the dealers would be except Gujarat where its already efficient if you consider all the remaining states more than 90% will be on this new model of the cash so that next year receivables would even become better.

In terms of receivables while at I am on that issue last quarter receivables were 253 days and now they are down to about 243 or 242 days so approximately about 13-14 days reduction has happened in MIS compared to the last quarter and we have already spoken that our target for FY'15 is to at least bring this down to 180 days and target in FY'16 bring it down to 120 days and when MIS will be down to 120 days overall company receivables our target is to bring it down to 90 days by FY'16 as we go along.

Now to talk about the challenges which we faced in this quarter, one of the significant challenge was in piping business where we have registered both pipe put together negative growth of 18% so last year we had a 400 Crore quarter on the pipe business this year we had only 328 Crores and this 18% negative growth has pained us. It was not what we started at planning when we started the year but I believe most of this negative growth will be able to capture in the second half. The specific reason was lower business we had in the PVC pipe division compared to over expectation. The early part of the quarter most of the April the demand was less due to hailstorm etc., but the demand is pick up in May and June but we could not capture full demand because of the lack of availability of raw materials and somebody might say that this is something the question of a basic competence how come you cannot have access to raw materials and we have been doing PVC pipe business for 34 years now, as a matter of strategy to manage the inventory and balance sheet better we mostly rely on local raw material supply of PVC resin and there are handful suppliers only in the country and from the people whom we buy and who do give us material both of them went into shutdown.

One was somewhat planned but it got extended another was unplanned due to their feedstock issues and as we were concentrating on balance sheet at the end of the March the total availability of raw material for us was hardly 5 to 6 days in terms of against the requirement and we get daily supplied from the local supplier and that is how we and try manage that inefficient way for the piping division. There is an approach that one can do lot of imports of this raw material usually but that means you have to hold lot of inventory you get largest shipments upon time all of those issues comes into play. But so we have learnt from this and now we have explored and we have started doing certain amount of more import planning and we are trying to work with some of the suppliers to see whether they can open depots in Jalgaon or put additional quantity near our plants so that without increasing inventory on our balance sheet we could still get kind of just in time supply even out of a imported supplies.

It may not immediately happen but there is a direction we are going and I believe already those plants are back to normal so availability of raw material is normal now and with this

change in philosophy and policy we are doing related to additional import and putting together new kind of a supply chain management vis-à-vis this raw material we won't face such issues in future I think it was one of the kind of event and I been an in business myself for a close to 30 years this was one of those rare events where we had almost no material for few days and therefore we had to also buy material in market small quantities and therefore we had to pay higher price so that reduced kind of EBITDA level margins in this division which used to be you know between 6% and 8% it came down close to 4% and that is where we kind of suffered but we were learned a lesson from this and shareholders would see that going forward we will have enough cushion in our planning or material availability so that we don't go try again in this particular manner which is there and this affected our revenue which was out there and that's how you see the negative revenue but we have good amount of orders especially for polyethylene and pipe now as infrastructure spend is slowly warning up we feel that in second half piping should do already robust business. I would also like to just in terms of an caution in PE pipe division last year between this period that is second quarter and third quarter we had another large order like in Microirrigation export order there was a 250 Crores order from a local telecom say last year there are no similar orders but there are other project business which is out there which is coming our way as this situation is growing.

So in a pipe was not a great quarter one of the rare scenarios and we think we will catch up in the second half. We are also consolidating the smaller businesses Solar etc., though the amounts are too small to talk about but in general we are moving towards to ensure that each business our working capital cycle must come down and while overall we are targeting 20% growth for the whole company in the current year we want to ensure that that growth does not come at the cost of working capital efficiency or balance sheet discipline because we want to ensure that we manage this entire growth with the same or lower level of the capital we have at the start of the year and we would like to stay focused on that so we are let installed the business go if it doesn't switch into the fiscal deficit.

In terms of margins and issues around margin the EBITDA same quarter last year was 178 Crores now we came around 163 Crores so there is 15 Crore reduction in EBITDA, part of that reduction is due to the lower business of PVC pipe and lower margins in that piping business, part of the reduction is last year microirrigation EBITDA margins were closer to 24 and now they are closer to 21 and now we have given in terms of a kind of a band that our microirrigation division now would be in that 20%-22% overall band so we are within the band as per the new requirement but this was one of the last quarters when we had the higher margins last year so that reduction into that compared to last year and reduction in

pipng business gives the clarity of why the margins went down I think as we move forward into the next few quarters you will not see the same scenario and margins should improve.

Another challenge continues to be still higher interest cost which is closer to same as amount as last year for us and we think as the company gets rerated, as the debt comes down majority of benefit you will see next but even in the current year with the type of business which we will do we are expecting that overall interest cost as percentage of revenue which for this particular quarter was closer to 10% for the whole year because of the more business in second half might be closer to I think it would be down at least 20%-25% in a sense instead of 10% of revenue it might be down to 7% - 7.5% of revenue in that range is what we are expecting. We are also still talking to rating agencies that based on our improved performance on cash collection and receivables whether they can upgrade us a closed discussions are on and as and when that happens we think we will also be able to borrow at a cheaper rate apart from working capital efficiencies which we are already working on. So that is something that particular part we still need to achieve as I said we have achieved I believe the growth is back, balance sheet is more stable now than the receivables are definitely in control, overseas businesses have started doing well but the interest cost still remains much higher than our own level of comfort and we will continue to stay focused on that.

For last few years and quarters forex always has been an issue but this particular quarter forex was stable so I will not spend too much time on that. In the current quarter there is some amount of witness but I don't think it will have any it remains around that 60-61 it won't have any significant impact on our results going forward. Beyond that in general in overall environment we spoke about the government policy environment already in earlier call also and in some communications few weeks ago but I believe while the overall sentiment is very positive and businesses like irrigation now have started growing at 30% when we sell more juices that means urban consumers are also buying more discretionary item so those are all very positive signs, we getting more orders in key business which are related to infrastructure. So these are positive signs but I personally believe the real momentum out of this positive sentiment should flow through maybe in fourth quarter and full scale definitely for the next year but despite that we are already doing what we are doing.

Our order position order book is approximately closer to 1400 Crores right now out of which about I would say 500 Crores is towards the food division and remaining most of the remaining is between Microirrigation and the piping division those are the orders which we have in hand.

With this I would now close my opening segment. Now we would like to invite any queries and questions any or all of you may have. Thank you for patient listening.

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

Manoj Baheti: Good afternoon Anil Ji. My first question is this quarter; have you more some more funding to the subsidiaries?

Anil Jain: Subsidiary means?

Manoj Baheti: Our overseas subsidiary, have we infused some funds in those subsidiaries?

Anil Jain: No I mean its very nominal amount of about 2 million but that kind of money flows back in forth between us and them. Nothing really substantial new investment and we don't plan to make.

Manoj Baheti: About our capex plan how much capex we are planning to incur this year?

Anil Jain: We have started the year with overall Rs.200 Crore planning of the capex global including India, overseas and that also include maintenance capex but for the first three four months we have gone slow we have done hardly about 30 Crores in first quarter so I think for the whole year we actually might do less than 200 Crores.

Manoj Baheti: Regarding the debt reduction plan which you mentioned so till December I think we will remain at the current of debt and the actual reduction will happen in the fourth quarter only right?

Anil Jain: No what I said that our debt between April 1 and now has gone up about 100-odd Crores and by December that will go back to what it was of April 1st and then between December to March that period we expect to reduce that by 300 Crores.

Manoj Baheti: So we will end up this year at around 3700 Crore-odd right?

Anil Jain: Yes a little bit less than that, on a net basis may be it might be closer to 3500 Crores or so.

Manoj Baheti: Thanks Anil Ji for taking the questions.

Moderator: Thank you. The next question is from the line of Abhijit Akella from India Infoline. Please go ahead.

Abhijit Akella: Good afternoon Sir. Thanks so much for taking the question. First, would it be possible to give some little bit more quantitative kind of guidance with regard to the growth that you expect across the different division because it has been some lumpiness it will be useful just to have your thoughts on how you see each of the lines progressing?

Anil Jain: As I said overall company today growing at 20 within that different business will share differently depending on again the season, the rain and everything else but microirrigation business in India should grow closer to may be 25% is what our expectation. The food business would also grow around 25% the piping because of already in significant negative growth in first quarter might grow somewhere between 10% and 15% for the whole year and this three businesses cover roughly about 90%.

Abhijit Akella: Within the domestic MIS business projects in particular I mean how do you see that progressing last year we did around 325 Crores I believe so can the kind of growth we saw this quarter is that what you are?

Anil Jain: No the projects may be there would be closer to about 300 or so, so see we did 1670 Crores of MIS if my memory serves me right last year and again that 25% that means we are looking at closer to 2000 Crores so out of 2000 Crores our thought process would be about 400 Crores in project so that will be the growth rate and there would be about 300 Crores plus on exports which is almost same level as last year or little bit more and the rest would be in the domestic retail business.

Abhijit Akella: Also just on the project receivables those seem to have been you know still fairly high relative to the revenues around 400-odd Crores almost a year's worth of project revenues in the domestic business so what is the outlook for that I know you have been milestone based billing this so when can we expect to see those coming of the table?

Anil Jain: I think some of those were before we started doing the milestone business but these project receivables will also come down in the current year and we do not expect in fact overall as I said receivables will be less than 180 days and that would also include the project.

Abhijit Akella: Finally just a couple of clarifications, one thing which you could just talk about what's driving the growth in the overseas subsidiaries this quarter 26% growth and in secondly you

have seen an increase in the loans and advances line of the balance sheet as of years end so what exactly the reason for that?

Anil Jain: Which year end?

Abhijit Akella: March 2014?

Anil Jain: So that is not, nothing to do with June. Coming to overseas subsidiary which are doing well we had in European business has started doing well for us. Overseas companies also in U.S. they are doing well. In food processing side also this White Oaks which is the new plant it has started doing well. So some to these things which were have started now have take a momentum at some places because of the new product in production etc., we are gaining new customers because some of our competitors were getting sold or they were disturbed whatever else so we could go and get extra market share and in fact July also continues to be good so that gives me good hope positive scenario in overall overseas market and this quarter is not flash in the pan okay you may not get 26% growth every quarter and that is not expected because some places like White Oaks last year the amount was less and as the plant has started on a lower base you see more growth. But all in all overseas market will continue to grow in double digit in totality so that's positive.

Abhijit Akella: Just on the loans and advances.

Anil Jain: Abhijit what was the other question on loans and advances?

Abhijit Akella: As of March 2014 the loans and advances seem to have increased year on year almost to 840Crores approximately versus around 600 Crores previous year?

Anil Jain: So they were part of these mega project you know incentive claimed to receivable from the government there was some investment into this last year also we consolidated for NBFC because of the short period so whatever was the loan given to farmer 100 Crores was also part of the loans and advances so I think that was the effect in March 2014.

Abhijit Akella: Going forward are we still consolidating the NBFC and you know how do you see this loans and advances line progressing because that is to some extent it is negating the progress we are making on the receivables just on that?

Anil Jain: I think in the initial temporary period it would be there once this NBFC start borrowing and leveraging itself then that could go away and as we already said this earlier that our thought

process over next 12 to 18 months is to reduce our holdings down to 49% then we will not be consolidating that so you might see that by March 2016 or so that we are not consolidating so mostly that full benefit of NBFC on our balance sheet you will see next fiscal.

Abhijit Akella: Thank you so much Sir. I will get back in the queue for any more questions.

Moderator: Thank you. The next question is from the line of Arya Sen from Jefferies. Please go ahead.

Arya Sen: Good afternoon Sir. Firstly, if you could just run us through the margins in the various businesses for this quarter?

Anil Jain: I think I would talk of margins in terms of the overall band I already spoke about microirrigation margins being closer to 21% and piping PVC pipe was lower compared to our usual earlier down to about 4%, food has been around 24% and other closer to 30%.

Arya Sen: PE pipes also it is around 4% - 5%?

Anil Jain: That is been around 7%.

Arya Sen: Secondly how much of the Karnataka order have you executed so far and in the first quarter in terms of what you have booked in revenues?

Anil Jain: I think about 60 Crores in first quarter and we did about 80-odd Crores in the March quarter so out of 380 Crores about 150 Crores is kind of done.

Arya Sen: The balance will all get executed by the end of this fiscal?

Anil Jain: Most of it, small amount may remain but most of it.

Arya Sen: So thirdly on the debt what is your interest cost for various debts that you have foreign currency, local, long term, short term and what is the blended?

Anil Jain: Blended cost is around 10.75% out of that dollar cost is less than 5% but rupees around 12% to 14% in that range but overall it is 10.75%.

Arya Sen: Have you hedged how much of the foreign currency debt have you hedged in does this 5%?

Anil Jain: Out of 200, 30 Million has been hedged.



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- Arya Sen:** Out of 200 million 30 million has been hedged and have you I mean does this 5% of Dollar cost that you mentioned that includes the hedging cost as well?
- Anil Jain:** That is a coupon.
- Arya Sen:** The hedging cost would be how much, so how much would be the sort?
- Anil Jain:** Hedging cost is around 6% - 6.5%.
- Arya Sen:** That is all from my side. Thanks a lot.
- Moderator:** Thank you very much. The next question is from the line of Atul Mehra from Motilal Oswal Securities. Please go ahead.
- Atul Mehra:** Sir just one question on the project business taking that question forward this number of receivable days that we have in terms of being in more as one year as of now so what is the timeline that we have for when this can go to much lower levels let say about 140-150 days?
- Anil Jain:** That is what I said know by March that will have.
- Atul Mehra:** So by this March we are likely that should happen?
- Anil Jain:** Yes.
- Atul Mehra:** Secondly kind of export business this quarter specifically you mentioned in your opening remarks as well that has been because of that base in terms of last year but as a whole year for the rest of the year we are confident of in terms of maintaining the 300 Crores number that we did last year?
- Anil Jain:** Yes that we have confidence so overall as a company you know our Export this year were this quarter were 190 Crores last year there were 225 Crores, we had low microirrigation export but we increased our exports in other products.
- Atul Mehra:** Right, and third I think in terms of the overseas business what would be the constant currency growth that we would have done this quarter?
- Anil Jain:** Currency would be about 10% to 12%.

- Atul Mehra:** So in terms of organically it would be more like 14% - 15% kind of growth?
- Anil Jain:** It is about 15% of the operating overseas subsidiary. In Foreign currency they have grown 15%.
- Atul Mehra:** Sir any final status on the food processing business in terms of the stake sale?
- Anil Jain:** You know as and when something happens or something concrete is going to happen we would let everybody know. Business is doing well you know and as I said earlier we are exploring that opportunity but we have to get right value, right terms then we would look at doing so but because underlying business is doing very well you know even if we wait for sometime it is going to be helpful only.
- Atul Mehra:** Right have we spelt out any particular deadline when we want to close in terms of the deal?
- Anil Jain:** No I have said earlier that there is good chance that this will happen by FY'15. So there is a good chance now, you know some of these things may not happen so but if it happen it should happen in the current year might.
- Atul Mehra:** Sir just one final question in the piping business so as we have progressed into Q2 so have we seen overall things getting back to normal?
- Anil Jain:** Yes we are getting back to normal.
- Atul Mehra:** That is it from my side. Thanks for answering my question. Wish you all the best.
- Moderator:** Thank you very much. The next question is in the line of Manish Mahawar from Edelweiss. Please go ahead.
- Manish Mahawar:** Sir just in a subsidiary side what is I think you have given a double digit growth in a subsidiary for this year right?
- Anil Jain:** Yes.
- Manish Mahawar:** Mainly I would like to know what type of EBITDA margin you are expecting this year and the next may be next two years perspective whatever margin we can see in the overseas subsidiaries?

Anil Jain: Margins in overseas subsidiaries at EBITDA level we should if you see last few years have been between 5% and 7% on an average in that. We are targeting this year to be between 7% and 9% and the target next year would be that we try and crossover that double digit mark for overseas subsidiaries. That is how that is going.

Manish Mahawar: Second question on the piping you said in this year the growth number should be in the range of 10% to 15% for your standalone piping business and we have already seen basically decline of first quarter and I think you have said in PE pipe I think we have won of the order last year 250 Crores order and despite that you are expecting 10% to 15% growth is achievable right?

Anil Jain: Yes.

Manish Mahawar: You are pretty confident that is achievable number right?

Anil Jain: Yes because you know as I said that all this infrastructure firming up we are right now negotiating for about 200 to 300 Crores of orders so we are sincerely confident some of that will come.

Manish Mahawar: Second question in growth what you had said 25% growth in MIS business I think the last quarter in a call, I think you have mentioned at 20% growth in the MIS business and I think now we are pretty confident about 25% growth in this year actually FY'15 so what is giving us confidence in a quarter's time we are seeing numbers 20% to 25% is there any additional order flow you are looking or basically you have seen or you are likely to be expected to receive in the next coming quarter?

Anil Jain: We have the good project orders already in hand. Karnataka we got in between compared to last quarter already a new order in Himachal. We are working on few projects in smaller size projects in Punjab, Karnataka and other places so that pipeline is fairly positive. The Delhi business which is what we call retail business their demand from sugarcane farmers the vegetable farmers is also good. The monsoon rains have been good so that means the next busy season when it starts that should further improve our cash model has been getting more accepted into so many other states that is where we expect improvement. Gujarat is also looking to spend more on micro irrigation they have already made very large allocation in their budget, so we believe the growth will come there. Places like Andhra Pradesh where we had significantly gone down over last two to three years in our overall business which we used to do, now there are newly elected government, stable government so as a stable policy comes during this busy season we expect to do some more business this year

compared to last year as long as we also collect our earlier receivable. So all of this combined together makes me feel that we should be able to deliver what I have said.

Manish Mahawar: Sir on this MIS business per se what is the basically utilization plant utilization right now in MIS domestic business?

Anil Jain: You know it is very difficult to calculate but let me say that we have enough capacity for next couple of years for the growth.

Manish Mahawar: But if any number average number may be like 50- 75 whatever you can say?

Anil Jain: It has been closer to about 50%.

Manish Mahawar: Okay so mainly once you were like this utilization improves definitely your margin may be?

Anil B. Jain: Yes, some fixed.

Manish Mahawar: Okay. Sir in this debt reduction part, I would like to know basically your interest cost if you look at consistently we are in the range of 100% standalone interest cost consistently and what is your basic expectation for this year, does it remain same actually, you said already like 10% of the sales, now it will come down to 7 to 7.5% for this year. I think fairly you are assuming still a flat interest cost for this year for a standalone book.

Anil B. Jain: I think we might see some reduction in the interest cost in the fourth quarter, but second and third quarter I do not see a big change.

Manish Mahawar: Okay. Sir just last two book-keeping questions. One question for the Manoj ji, if you look at other income in standalone consolidated books, there is some difference actually your consolidated other incomes are lower, it is on account of the subsidiary dividend actually.

Manoj Lodha: Yes, exactly.

Atul Mehra: Second question, what is the expectation for this FY 2015 and 2016?

Manoj Lodha: We will move to about 20% to 22% for India. Overseas I do not see much cash tracks because of their earlier year losses. So on a consolidated basis adjustment to PBT would be around 20% to 22% range.

- Manish Mahawar:** For this year as well as next year right.
- Manoj Lodha:** Next year may be little bit more depending on how the food division pan out in a separate subsidiary but there would be some at this moment as things are not very clear from next year, but with this 80I IT benefit and certain couple of more tax deductions we do not expect tax rate to anyway go beyond 25% in at least next two three years.
- Moderator:** Thank you. The next question is from the line of Amit Murarka from Deutsche Bank. Please go ahead.
- Amit Murarka:** Hi, just again bookkeeping questions, what was the revenue trajectory like for solar and the tissue culture businesses?
- Anil B. Jain:** The revenue for solar are small for hardly about 10 Crores and tissue culture was about 26 Crores.
- Amit Murarka:** So solar seems like it has dipped quite a bit.
- Anil B. Jain:** As I said we are doing consolidation because also there is a government subsidy involved. When the government changed money was not available, so we have kind of withdrawn from that market, but we have some good orders now, so I think for the whole year solar will come out okay, but this is going to be year of consolidation in that business, so that we also push that business more on a cash model is how we are looking at.
- Amit Murarka:** So going ahead should we now expect this business to decline, at least this year and then going ahead.
- Anil B. Jain:** No this year it should remain stable, because last year already there was a decline in this business. I think the last year ended about close to 160 Crores or so. Now it partly depends on orders, some of these orders for which we have been talking, negotiating, and discussing whether these are for the pumps in the villages, for the drinking water, or whether some of these are for street lights or solar water heaters etc., I think whether for the whole year business will go up or down will depend and it would become more clear in September and October. As we stand here today, I feel that we would at least do same as last year and little bit more for the whole year even though on this particular quarter we have significant reduction, but that amount is still small. This business is typically almost 70% to 75% happens in the second half and very small amount happens in the first half in this business. So keeping that in mind, some of these developments are still happening. We might still get

some of the tenders where we are already there, if all of that comes through and they are well funded etc., you might see also a 20% growth in this as a vision. It is possible. So that is why I would caution that let us not reach to that conclusion, as there could be reduction in this business, even though first quarter seems like that you might actually see the growth, one should talk a little bit more about this in September-October.

Amit Murarka: Just to understand better, so will the upcoming elections in Maharashtra also impact the business?

Anil B. Jain: No, that should not be because this business is quite spread out in so many states. We are doing work in Chattisgarh, Bihar, and Jharkhand. We are doing work in Uttarakhand, in J&K. We are doing work in Karnataka, MP, so many states we are doing the work, Tamil Nadu.

Amit Murarka: Okay thanks, that is all.

Moderator: Thank you. The next question is from the line of Abhishek Jain from JHP Securities. Please go ahead.

Abhishek Jain: Anil Ji, I have one question, I would like to ask you one thing, what will be the impact of Maharashtra election on our MIS business?

Anil B. Jain: I believe there should not be any impact on our MIS business for two reasons. Both the political formations are committed to micro irrigation, so I do not see any change in policy per se in terms of support to micro irrigation. Whether for two or three weeks this results in to disruption in the fields that one may have to see, but all in all unlike national elections, the state election we do not expect any significant change.

Abhishek Jain: Do we see some kind of slowdown in the second quarter, especially in MIS business in Maharashtra?

Anil B. Jain: That could happen but as I said if that happens it will get picked up over the year. I do not anticipate that it would have an impact; you know Maharashtra grew this quarter 15%, even current quarter I think we should be having positive growth, but elections have not been announced as of now, I do not know whether they are happening in September or November, let us wait and watch. All I am saying is it would not have any material impact on us as a company, neither on overall Maharashtra business for the FY 2015 and few weeks here and there it can happen.

- Abhishek Jain:** Okay sir. Thank you sir.
- Moderator:** Before we take the next question, we would like to remind participants that you may press “*” and “1” to ask question. The next question is from the line of Purna Venkatesan from Jefferies. Please go ahead.
- Purna Venkatesan:** Good afternoon Sir. Thank you for taking my question. On the 30 million that you have hedged could you tell us at what rate this has been hedged?
- Anil B. Jain:** Base rate was around Rs. 62.
- Purna Venkatesan:** On the NBFC front, what has the disbursal been till date and what has it been this quarter?
- Anil B. Jain:** This quarter the disbursal was close to about 23 to 24 Crores and last year I think the total disbursal was about 100 odd Crores out of which they had recovered already 15.
- Purna Venkatesan:** Okay, that is it from my end sir. Thank you.
- Moderator:** Thank you very much. The next question is from the line of Umesh Patel from Sharekhan. Please go ahead.
- Umesh Patel:** Thanks for the opportunity. Sir one question from my side, just wanted to know that you have highlighted that MIS segment EBIDTA was close to 21%, in the last con call you were saying that in the last quarter it was something in the range of 22% and you have highlighted that there is no further room for any downside, contraction in margin, so just wanted to know is there any further room or what went wrong actually, have you provided extra discount to dealers or what exactly happened.
- Anil B. Jain:** We are running business you know in a directional way and we run the business for the whole year. It is very difficult in our business to try and match every quarter that precisely the same thing has to happen; it is not that kind of repeatable business. There are different level of margins let us say between export projects and retail market, anyone within retail markets there could be different. We have said that we would remain in this range of 21% to 22% and we are in that range, so 1% reduction or a change in a given quarter is not worth commenting upon because fourth quarter if you look at if it was 22% fourth quarter is when we sell so much more so there would be a better fixed cost absorption, so you cannot compare quarter-to-quarter. One will have to stay focused on the annual basis. Annual basis

I am comfortable to say that we will remain in this range and in past what we have said that is the way it has happened.

Umesh Patel: Can you give us state wise contribution of revenue like Maharashtra, AP, Tamil Nadu, and Gujarat?

Anil B. Jain: No, it becomes very difficult to provide that kind of granular detail for market competitive reasons or otherwise. But I can tell you that Maharashtra, Karnataka, Gujarat they continue to be major players in the what I call retail business and Karnataka is very big also on to the project business and this is followed by then places like MP, AP, Rajasthan and others.

Umesh Patel: Last question Sir, NaanDan irrigation Israel is now 100% subsidiary contributing almost around 40% to 45% of overall subsidiary revenues right?

Anil B. Jain: Somewhat yes. I do not understand the question.

Umesh Patel: I just wanted to clarify that NaanDan irrigation Israel is now 100% subsidiary right?

Anil B. Jain: Yes.

Umesh Patel: This subsidiary contributing around 40% to 45% of overall subsidiary revenue?

Anil B. Jain: Overall subsidiary revenue was at around 690 out of that 223 came from NaanDan, so let us say one-third.

Moderator: Thank you. The next question is from the line of Sunil L from GS Realty Pvt. Ltd. Please go ahead.

Sunil L: This question is pertaining to the food business which is said that in this year you would separate from the main company as and when you get person who is interested in buying the stake but would you start the process of desubsidiarizing it right away?

Anil B. Jain: I think as and when we see that something is on horizon which is going to work up then we will start the process, we will have to go to the board. Under the new company law either we might have to go to shareholder or to the court in that whole scenario. So, we are getting all that legally evaluated how that process will happen, but as and when we see that yes, there is a chance of this happening, we will go ahead and start the process.

- Sunil L:** The question was that would you definitely be doing the stake sale in this year which is why we project losses; will this process start may be in the next three months?
- Anil B. Jain:** As I said if this transaction as to happen during the current year then process will have to start in next three months.
- Sunil L:** Which means also the DVR holders will be (indiscernible) 53.01 shareholders will get?
- Anil B. Jain:** To be honest we have not if it is subsidiarization, there is a question of anything going to any shareholder, because....
- Sunil L:** If it all is going to be floated as a separate company, that was the premature proposal right to list it separately.
- Anil B. Jain:** That is why I said making any comment right now, becomes little bit speculative and it will not be the right thing to do in the interest of shareholders as well as the company. We have not reached any conclusion in terms of precise structure of how this would happen. Whether it happens through subsidiarization, whether it happens to demerger, will it become a separate company, whether we keep at a private company and just private equity in, these are all the possibilities and options on the table. In my understanding, what we have spoken earlier, was that we will create a subsidiary and if we do create a subsidiary, then there is no change in the shareholding or anything else that would be 100% subsidiary on day one of the parent company Jain Irrigation and depending on what is done with that company is when the question about shareholder anything else will come and whatever comes then it could be applicable to all. So, I would urge that let us keep this conversation give a rest at this stage and as and when something is going to happen, we will come back inform all of you very well in advance.
- Sunil L:** I appreciate Sir and I would request you to please keep the shareholder posted through newsletters if that is possible.
- Anil B. Jain:** We will definitely do that.
- Sunil L:** Thank you.
- Moderator:** Thank you. The next question is from the line of Hemant Patel from Axis Capital Limited. Please go ahead.

Hemant Patel: Regarding your previous comment about the international subsidiaries and where you have guided for margins at a high single digit and then double digit going ahead into FY2016 could you give us some insights into how this is likely to turnaround what are the initiatives taken in both the irrigation division and even the food divisions to improve the margin profile of the overall business?

Anil B. Jain: In the irrigation business slowly and steadily, we are shifting back to India the production which requires an element of labor which is there that is one. Another is that, we have different level of production capacities. We have in India, we have in Israel, Spain, Brazil, US, Turkey and France, now that we have become part of this NaanDan Jain 100% over the last couple of years we have started rationalizing our global capacity and trying to supply at the lowest possible cost from where we are to the market which is closest to that entity or most profitable to any given entity. So, earlier we used to operate a different island each company had its own budget production in the geographical area. Other company was merely supplying to that company if required, but now we are crisscrossing based on what is the most optimum way to serve of the customer and what is the most optimum cost in terms of serving that customer. So, structurally that is happening and that whole process will get more coordinated between now in March as we go along. So, both of these together are definitely improving profitability and revenue. The third thing which is also working out is that during last three years, we acquired most of the businesses sometimes between 2007, 2008 and 2010. When we got them at fairly reasonable values but there was not much capex into the latest technology. So between 10 and 12, 13, we have invested into new production line changeover to the facility and that is now started coming in and generally speaking towards the agriculture and water management, we are saying more positive traction as well. So combination of better synergy work amongst all companies shifting a part of production to India and I would say overall better environment and payback coming through capex, these are the four reasons why these have started doing better. For example, in food we had one subsidiary started in California new plant late last year, so it has really started doing very well in the current year. So that is the benefit which has come through on the food side and the good part is some of our products are fully sold out and people are working hard to ensure that we continue to maintain good growth rate.

Hemant Patel: I believe I think this is the last question Sir. What you actually give any closing remarks for we close this call?

Moderator: Mr. Patel, we have question from Sunny Agrawal from Aditya Birla Money. Please go ahead Mr. Agarwal.

Sunny Agrawal: Thanks for the opportunity. My question pertains to new business for tissue culture. Where do you this business in a long term I mean what is our internal target where to take this business. My second question pertains to is there any plan to enter into green house business ultimately it is also related to improving the productivity and industry is at a very nascent stage as far as India is concerned, so your thoughts on that?

Anil B. Jain: The tissue culture business, we are the global leaders in banana tissue culture and in last two to three years, we have also started doing pomegranate and strawberries, all businesses are doing well. We think tissue culture business today is about Rs.100 Crores size business somewhere in that region. We think it is a possibility that it would maintain growth rates of this 20% to 30% for a long period of time. Margins are also good and that business also allows us to sell more micro irrigation to the farmer. It also allows us to buyback more pomegranates from farmers or bananas, so it adds to all our business that adds to irrigation business, that adds to food processing business and per se that business in itself is profitable. While its revenue may be small its impact footprint on overall business is very good in intrinsic value, that business extraordinary.

Coming to your second question of green houses, we do already build green houses for our customers. Where this is small poly house or specialized green houses for “corporate” type of farmers who want to grow high value vegetables or flowers we do supply them green houses, but every year that business is hardly about I would say about Rs.20 Crores, Rs.25 Crores, it is not a large industry now as and when it evolves and develops I think we have necessary expertise to take care of the business and grow there.

Sunny Agrawal: Thanks a lot and all the best.

Moderator: Thank you. The next question is a follow up question from the line of Manish Mahawar from Edelweiss. Please go ahead.

Manish Mahawar: Just one question, what is basically under MIS right now and what is expectation for this year growth expectation for this industry?

Anil B. Jain: Can you repeat your first part of your question?

Manish Mahawar: How much area is under MIS in India right now and growth expectation for this year?

Anil B. Jain: These figures are dynamic. The area is expected to be around 6 million hectares approximately out of which about 3-3.5 million hectares you can towards the drip and the

remaining toward sprinkler and the area will grow overall industry I believe should grow in the current year between 15% and 20%. So the area should also grow almost in same line, because the repeat business is still limited, so most of the business growth from new areas.

Manish Mahawar: What is our market share right now?

Anil B. Jain: Again it is very difficult to talk about market share. It is part of the market, it is not very organized, some market is organized where there are a lot of private companies, so one does not know precise figures, one can collate some figures from the way government distributes subsidy etc and some places like Andhra or Gujarat they do circulate how much each company is growing. So based on these kind of empirical data rough estimate you might rather call it. You would be that our market share is 40% plus. Drip irrigation it might be 50% plus, but drip plus sprinkler it might be closer to 40%.

Manish Mahawar: On the NBFC SAFAL actually what is the disbursement target for this year or next year 2015, 2016 both?

Anil B. Jain: I think they are going step-by-step, so their target for the current year is to try and at least double then what they did last year, so they did about Rs.100 odd Crores last year. So, this year they should across Rs.200 Crores.

Manish Mahawar: Last question to Manoj. Manoj Sir just wanted to know, is the depreciation already was increased due to this Companies Act, so this would be stable run rate, I believe on a quarterly basis.

Manoj Lodha: We have already complied with the New Companies Act and that is why about 10-11 Crores there was an additional charge to the P&L. So we will continue this compliance in many quarters going forward.

Manish Mahawar: Thanks Sir.

Moderator: Thank you. As there are no further questions, I would now like to hand the floor over to Mr. Patel for closing comments. Over to you Sir.

Hemant Patel: Thank you all for being here for the call. Anil Ji, would you like to give some closing remarks before we end this call.

Anil B. Jain:

No, I just wanted to would like to say that I want to thanks shareholder analyst community and everybody who is supporting the company. We have gone through two major event recently, the election and the budget and now the first quarter results. All in all we are bullish towards our future and not only medium to long term, but even in short term. Within our business, there are seasonalities in the quarterly issues one has to keep in mind, on a qualitative basis, the growth in MIS business, we feel very strong and positive about we feel fairly confident about managing our balance sheet going forward and the fact that overseas entities are coming around I think it was long time coming, it took almost one and one-and-a-half year more than what we had anticipated that it looks like. So, these are all what you call harbinger of the good news, some more good news will follow as some of these basic things which have got corrected, creates a better platform for us. Our challenges continue, I think the polymer prices are still high with all the worldwide disturbance, if oil gets spiked and rupee recently suddenly had gone closer to 62, those kind of things could create a momentary impact on our margin, but we are trying to build robustness in predictability of margins also and as the businesses grow eventually over the next couple of years. I think we will also move away and make our balance sheet little bit more season proof, as our governor talked about making national balance sheet more bulletproof I think we need to make our balance sheet more season through, so that while we are building company for medium to long term really speaking we can still live with this quarterly variation in a sensible manner.

Moderator:

Thank you. Ladies and gentlemen, on behalf of Axis Capital Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.