Jain Irrigation Systems Ltd.

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Q3 & 9M FY2016

Earnings Conference Call Transcript

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MAIN SPEAKER:

- **Mr. Anil Jain : Managing Director and CEO**
- **Mr. Manoj Lodha : CFO**
- **Mr. Darshan Surana : VP Finance & IR**

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Jain Irrigation Investors Call hosted by Axis Capital Limited. As a remainder, 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 '*' then '0' on your touchtone phone. Please note, that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Prashant Tarwadi from Axis Capital. Thank you and over to you, sir.

Prashat Tarwadi: Good afternoon, to you all. Welcome to Jain Irrigation Systems Q3 FY16 Con-call. Today we have with us Mr. Anil Jain – Managing Director and CEO, Mr. Manoj Lodha – CFO and Mr. Darshan Surana – Vice President Finance and IR. They will begin with a brief management discussion on Q3 FY16 results and after that we can take question and answer session. Thank you and over to you, Jain Sir!

Anil Jain: Good day to all of you, we had our board meeting yesterday and we have come out with the results of the third quarter for the December, results are overall positive. Our revenue has gone up, EBITDA is slightly lower compared to the same period last year at a standalone but it is almost same at a consolidated level and we have announced profit of Rs.13.7 crore for standalone and about Rs.9.2 crore for the consolidated level. Now, hopefully people have seen the results and the numbers they are all on our website also stock exchange.

So let me focus more on what has happened in this quarter and what is happening overall in the business in business terms. So if we really look at the quarter which passed by, one of the major highlight has been the fact that we have been able to conclude the transaction for raising of the equity into the parent that is Jain Irrigation as well as the subsidiary Jain Farm Fresh Foods Processing Limited. About the food transaction which we signed legally binding documents in this quarter and we expect to close this transaction now in next few weeks. Partly it was waiting for some of the clearance from competition commission and I have been told that we should expect everything may be in this week this itself and thereafter may be it is another week plus to try and close the transaction. So let us say in next few weeks that should happen. So that is moving forward and that should definitely help us reduce our debt and give us the capital for the growth of food processing business that would help us reduce the overall interest cost that may help us to further improve our credit rating so we can reduce interest cost on rest of the borrowing. So there a lot of pluses and in this kind of a globally difficult environment I think, the investors have shown faith into what our plans are, what our capabilities and what kind of potential the business has. So we are moving positive on that.

During this particular quarter which passed by we have been able to also create certain scenarios in terms of creating new potential for growth under different business lines. So just to quickly come to the business lines primarily most important business has been and currently is micro irrigation which almost is about 50% of our revenue. Within micro irrigation our what we call retail business which is the sales we make to the farmers in India grew almost 14% so that is quite positive considering there are a lots of area where farmers almost do not have access of water because of the huge drought or significant amount of drought and the fact that there has been a general agrarian distress because of the low agriculture commodity prices including cotton and sugarcane where farmers are not getting good returns. Despite that growth of 14% on the retail side means our people in the field have done good job and farmers are really seeing value that these solutions what we provide micro irrigation, drip irrigation systems are good solution against climate change. So that concept is taking more roots so, we are quite positive and satisfied about that part and as we move forward into the next year and year after, we think this is going to continue to grow.

Now, within the retail business our business grew in all different states and in most of the states the business grew rather than other way around, for example, in Maharashtra retail sales grew, in AP it grew, in Karnataka it grew, MP it grew, Rajasthan it grew, I mean we have small negative sales let us say may be in Gujarat or Tamil Nadu but most of the important states there was a positive growth into the retail sales. Where we did not do that well in the quarter which has passed by was the project sales in micro irrigation division because as we have been saying also in earlier calls the project gets bunched up and we would really like to start working on projects only when we know funds are allocated and everything is in place and sometimes that can get delayed so that kind of scenario has happened so therefore there was a negative growth on the project side so, but all in all when we look at what is happening it has moved because we are quite okay with the retail micro irrigation business. But therefore, when you combine overall micro irrigation business, in this particular quarter we grew at about 6.5%. So positive on retail, negative on projects, positive growth on the exports, almost we grew 9% and this was the first quarter after almost I think nine quarters or ten quarters where we had a negative growth on exports as well we have turned exports positive with a 9% growth. So all in all we grew 6.5% on micro irrigation business so that is a quite good thing to happen considering the overall situation.

If we look at piping business, piping has been doing well in the first few quarters as well and even in the current quarter piping business overall has grown almost 13% and within that polyethylene pipes grew 24% and PVC pipes grew by about 6%. And if I really look at nine month growth on the piping business, piping for the entire nine month has grown almost 20% as against the same period last year. And if we look at nine month PVC has been marginal growth but the polyethylene pipes which go mostly into infrastructure applications has grown stupendously for this nine month at almost close to 58%. And we continue to have very good order book in the current quarter for coming quarters the negotiations what are in pipeline. So I also feel positive about the piping business.

Before moving to third business, due to lowering of the commodity prices and polymer prices due to the oil scenario we had certain amount of let us say inventory loss so whatever results you are seeing on EBITDA is after absorbing that inventory loss. Overall our EBITDA margins have improved in the current quarter because in some places we have been able to, we need not pass on the benefit on the raw material side on one hand. Also capacity utilization has grown up quite a lot. And I would also like to point out that in some of these finished goods prices due to reduction in overall polymer prices the revenue price per kilo what you sell is lower than normal and therefore, your quantity growth is higher so when we are talking that pipe has grown at let us say 13% so possibly our quantity growth is a little bit more than the what would you call the revenue growth. So all in all piping is looking up margins are better revenue growth is quite robust and order book also is good and it seems going forward it will be good.

Along with the piping we have a plastic sheet business which have not down that well over last few years and we have reorganized that business and that business also has grown 11.5% this quarter and for nine months it is still negative because we started our new business in Ireland where a part of our capacity was shifted but that Ireland plant is also doing very well so, when we look at combined global part the sheet business also has a positive growth.

In terms of the other more important business we have is agro processing or food processing as we call it. That business also registered a positive growth this quarter at about 1.6% within that there are two main product lines one is dehydration of vegetables and another is fruit pulp. The dehydration of vegetables grew quite a lot almost about 75% partly it is because last year in the same quarter we almost had no onion to sell due to seasonality issues while this year we could acquire and process and sell the onion and that is partly the reason our business has grown quite a lot there. On the fruit pulp side there was a negative growth in this particular quarter even though we have a positive growth for the entire nine months and the reason for that was the delay in accepting the shipments by some of our customers in Middle East due to ongoing disturbances. But from what we see and the call offs we have received those delay which took place in October to December would be well covered in the January to March quarter. So I would characterize the fruit pulp reduction in this particular quarter as something where sales have been postponed to the fourth quarter from third quarter and you should see quite robust fruit pulp puree business in the fourth quarter whenever we come out of the March results.

So all in all, this quarter has been I would say considering the headwinds and the overall scenario very positive for us between micro irrigation, piping, agro processing, and the plastic sheet business. We had some other business like the solar, etc., that has not done as well and that was a negative growth. So all in all, we have registered about 4.4% growth and within that exports have grown about 11% and domestic business grew by about 2.3%.

In terms of earnings and in terms of EBITDA we have registered EBITDA at almost close to Rs.132 crore this quarter as against last year same period Rs.136 crore and the primary reason for that small amount of reduction there is that there was a new amendment in the law related to Employee Bonus Act which is retrospective. So we have made provision effective 1st April 2015 and that additional provision which we have done has resulted in that reduction. Otherwise you know actually it would may have been slightly better than the last year. But if we look at our consolidated EBITDA it is almost same amount as last year. Within individual businesses while we cannot diverge precise numbers but I can share that in micro irrigation we are still maintaining our 20% EBITDA levels. In piping our EBITDA percentages have definitely improved quite a lot. Sheet business also has improved so all in all individual businesses when you see things are as we would have expected them to be and in line.

Coming to now the balance sheet situation, overall in terms of inventory and receivables I would say we are almost at the same level. Our inventory is down by about three days against outstanding sales and receivables have gone up by three days so, it’s a wash it is almost same level overall where it was. And as one would expect our fourth quarter typically is the most strongest quarter in terms of sales, so inventory will go down further in the current quarter and receivables do get adjusted. Overall micro irrigation receivables are at the same level that they were in the September there is no change in this particular quarter.

In terms of the debt levels they are slightly higher than they were I would say at the September quarter. Partly it is due to the fact that also rupee depreciation has taken place and a lot of our dollar liabilities including our overseas companies’ loans, etc., they do get reflected at the current rupee rate. So, the debt equity consolidated from September where it was 2.01 it is at 2.04 and I think at a net basis it was gone up to 1.38 from 1.34. As you might have also seen and realized last year, in the fourth quarter, we succeeded in improving our overall debt position which we still intend to do in the current quarter and as we close our overall transaction for the equity raise that should also allow us to significantly reduce the debt. So I believe March numbers would be significantly better but as a management we are still committed to move towards debt equity ratio of one to one which we have indicated to the market earlier. We believe we are still are on the track the post this transaction. And timing it can change by a quarter here or quarter there due to overall scenario and volatility into the market and the business product mix segment which may happen depending on the situation. But we are very committed and we are very confident that very soon we will be able to show to all of our stakeholders that Company has moved towards its target of one to one debt equity ratio.

Having talked about what happened in the last quarter, generally speaking in terms of where things are going to go, going forward, as I already said on the piping business earnings still continue to have very good orders in hand so it seems the future is shaping out well. In terms of the micro irrigation business retail you know for the first nine months the retail business has grown almost close to 10%-11% so that is quite positive. Going forward if situation continues the way it is we should maintain that but I would just like to add a little bit of qualification of that, that due to the last drought now farmers almost do not have any water to irrigate and if you do not have water to irrigate then you will not buy drip irrigation in certain areas of India like Maharashtra, or Karnataka or Marathwada where there is a significant amount of drought but some other places there is enough water where we can do the business.

Now in terms of the projects which are there you know last quarter also we had a large order from Tanzania which we received but it needs to be executed going forward so it has not been executed as of now and that order alone is about worth Rs.2.2 billion. So we think as we move into the current quarter and future quarters that order flow should come through and that would also help us to grow the business. There was another issue about that we had we become an L1 into a large tender in Maharashtra for solar water pumps it is significant tender where we were L1 for and the order values are almost Rs.4.5 billion and that tender has been awarded to us. So we have gone through the entire process it has been very transparent we are L1, tender has been awarded to us. But before we can execute on the tender there were some I would say a political issues or discussions whether the prices in the tender was it equal or better or less or more than let us say some other states within India even though there is no direct I would say comparison it is not apple to apple comparison because product quality requirement or service requirements are different across India in different - different states. I believe some of those issues should get resolved very soon and that tender because it has already been awarded to us we should be able to ultimately go ahead and execute. So as an when that happens over next few quarters that would be the new additional business which should come our way.

Beyond that recently, we also signed a fruit juice, citrus juice processing plant but it would take about I think nine months to one year it would be to set-it up so those revenues one should see a little bit later. That we are doing in corporation with Coca Cola and today in India people import orange juice concentrate from Brazil or Florida this would allow us to start processing locally procured juice and juice concentrate and then which can either be sold in India or even it could be exported. And because of our knowledge of working with the farmers I think we would have a unique advantage. We have been working on this project where we have imported some varieties from Brazil. We went through the quarantine and now we have nurseries up and running so that we can provide to farmer new planting material which would give him better yields and it is also a good product for processing not necessarily that it is just a good table variety it is good for processing also.

So like that, on the food side we have some exciting projects we have recently launched in a small way in a pilot scale one of our first product directly to the consumers what you call B2C which is Frozen Mango Pulp which people in India especially love to eat as a part of their meal or as a part of dessert and this could have also demand in other locations. So we are moving into that direction and once the food transaction gets completed I think at that point of time we would talk a little bit more in terms of how we are going to make or effort of B2C going forward and where do we see growth in that but I can only share you that much that it is something moving quite positively and we have some exiting plans for that as we move forward.

So all in all, there are issues around the world there is drought there is a climate change, agrarian distress, low agriculture commodity prices, not enough properl clarity into government policies and these one can say these are all the headwinds. But as against all of these headwinds, I think we are well positioned in terms of product, in terms of services, in terms of scale, in terms of competitiveness, to fight against all these headwinds and continue to grow positively. And the fact that oil has brought down the raw material prices should be helpful to create more competitiveness for us and more value creation for our end customers.

So all in all, a lot of people now a days or the business houses or business people are getting quite concerned or worried or sometimes even depressed with what is happening around the world. But I believe, with our unique position where we are coming from India where our cost competitive position is very good, the scale and broad based horizontal nature of our products and the fact that we are through the entire value chain and that we have created great supply base vis-à-vis small customers should and would help us do very well in this difficult times and create a better platform for next decades of growth not just in India but also in global market.

So while we will fight whatever negatives come along the way but I think we are now getting balance sheet right to moving to debt equity of one to one. Our target next year is also moved debt to EBITDA closer to one is to three from one is to five last year. So this is the direction we want to go and we have already communicated that to market over last few quarters. And I believe since then whatever process has come through I am today more confident than the earlier times that this would happen, despite the headwinds which are there. And our underlying products there is a demand because there is a, this is the solution and if your water is short. There was a report just other day I do not know how many of you have seen that compare to the earlier studies it seems water is even more short almost 4 billion people it seems are today affected because of water shortages and as you know 80% worldwide fresh water gets used in agriculture and drip is the way to save more than 50%.

So we believe our products have solutions and these solutions would create demand in India and other places in various multiple ways whether that is through the retail pharma market and dealers, whether that is through integrated irrigation projects, or that is due to a general irrigation project. We believe government has also been talking positive one has to wait and see what happens in the budget but government seems to be saying that we want to focus on agriculture productivity and agriculture production and if that does happen what they say and that gets translated into some numbers in the budget that could also crate latent demand. But not waiting for the government I think the farmers themselves are voting for our product and 15% growth in the current quarter on retail market is a positive part of that whole discussion narrative and the outcome.

With that, I would like to close my opening comments and we can open up the floor for Q&A. We would be happy to give the platform to you and look to address any questions you may have. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. Thank you. We will take our first question is from the line of Abhijit Akella from IIFL. Please go ahead.

Abhijit Akella: First, just one the fruit business you mentioned about this Middle East order deferral so, what proportion of the business is coming from Middle East and what is the reason for the deferral is it the crude oil related financial problems that they are facing and do you see any risk that this continues for a longer time or is this something they will get sorted out in 4Q itself?

Anil Jain: It would get sorted out in 4Q. As I said, we have already received the call-offs. Usually in this business you sign a contract and you ship to the customer for one year and that is the contract period and within that one year they have that ability to adjust the call-offs they can take in some quarters or some months more and they will take less in some other months. So, what we have seen in November - December that the call-offs were less than I would have normally expected but we already received those call offs now. So we do not think this is a longer issue these customers are committed and we expect that in 4Q this issue will go away. Just to cover that point a little if we look at for the first nine months our exports on the fruit side have grown by almost 20% so they have over from Rs.181 crore to Rs.217 crore so it is not you know it is something to cause a worry, it is just a one quarter delay. So, imagine a scenario where we had even more then our growth for the export would even more than 19.7%.

Abhijit Akella: Right, sure that is great. And second just on the impact of the foreign currency, the change in accounting treatment that we are using there so just to understand exactly the amount that was routed through the balance sheet this quarter is a total of Rs.54 crore is it?

Anil Jain: That I would let Manoj answer that.

Manoj Lodha: Yes, it is around Rs.54 crore.

Abhijit Akella: Okay. And so basically the part of it so Rs.22 crore of that will get amortized over a period of time?

Manoj Lodha: Yes and rest has been added to the fixed assets.

Abhijit Akella: Rest has been added to fixed assets and this Rs.22 crore will be amortized over?

Manoj Lodha: We have average maturity of five years from today, the end-to-end tenure is about seven years most of the loans. So it is spread over a seven year but this is all on the long-term foreign currency loans so over next five years to seven years this will get amortized.

Abhijit Akella: Sure. and lastly on the outlook for 4Q and FY17 now 4Q obviously is seasonally the most important quarter for the company so, if you could just talk a little bit about the various divisions and what you expect there and also may be a little bit about how FY17 can shape up provided the monsoon is normal.

Anil Jain: As you have seen last year also that at the start of the year we have said that you know business should at least grow double-digit that is what we had talked about and for first nine months I think we are close to a little bit less than that right, we are at about 5% and fourth quarter is usually much robust growth so hopefully we would move towards the double-digit at the end of the year. But to do forecasting at this point of time without knowing actually which way monsoon will pan out and monsoon is not just about a number of the quantity of the range which come, it is the timing, the distribution of the rain, etc.. So, I would not hazard any particular guess, I would rather stay away from it. What I explained on my call is that underlying we are seeing that people believe that drip is the most preferred solution for productivity increase and water saving. And how that would translate partly depends on the monsoon partly depends may be on the local state government policies, party depends on the agri commodity prices where farmer calculate the pay back and how fast they are going to make money. But all in all last year was let us say last few quarters have been more challenging, it seems going forward from whatever I hear about even monsoon people are saying it is not El Niño, La Niña or whatever else and alternative weather systems, it seems things are going to become better. If that is so we should maintain the double-digit growth rate. And piping I already said that we are already moving in double-digit and it will be maintained. Food next year looks also good because of other new initiatives we are talking about. So all in all I am positive but at this stage I would not like to talk about any specific numbers or growth rates.

Abhijit Akella: Sure, sir. No, that is good to hear. And sorry, just two last ones if I may just chip in, one is just piping margins which you have mentioned have improved so how long can they sustain I mean can we possibly sort of stay in the double-digits for FY17? And then the second thing was just on the budget if you would just share your expectations if any with specifically with regard to irrigation or with agriculture?

Anil Jain: So just to take first your last question on the budget, I do not know exactly what would happen and only the Finance Minister may know. But what we have been hearing and I do not know whether you read about it or any other investor have seen, a week ago or ten days ago there was interview or speech by Chief

Economic Advisor and he said that the government is looking at prioritizing a lot of investments and he said government is going to make major investments in roads, railways, and micro irrigation; and this is his quote and that should tell you what is expected. As I said I cannot comment on what is going to happen I am just quoting what he has said where he will put micro irrigation along with the roads and railways. So I think that is fixed volume of where it is going to go but let us wait and watch. The second part you talked about the piping margins. So our piping margins have improved as I said, partly due to improved capacity utilization, partly due to lowering of this polymer prices so these margins on PVC are usually lower than polyethylene and polyethylene is higher. So combined margins are a still not double-digit they are lower but they are much better than what they were, we used to be around 5% or whatever, I think we are moving closer to 7%. And if this continues and good order continue I think we would move even a little bit better but I do not think as of now I cannot commit to say that we would read the double-digit there but overall, it looks quite positive.

Moderator: Thank you. Our next question is from the line of Mehekka Oberoi from Emkay Global. Please go ahead.

Mehekka Oberoi: I just wanted data point with regards to what our EBITDA for FY15 in the food processing business and for the nine months for FY16?

Anil Jain: It is difficult to share for various reasons specific EBITDA relative to division but once the Food business comes out as a separate entity we will be able to talk about it. Overall, I can share with you that in terms of the Food business EBITDA has been kind of constant and again it is a partly seasonal issue so on annualized basis we are expecting EBITDA to be similar level what it was last year.

Moderator: Thank you. Our next question is from the line of Mayur Parkeria from Wealth Managers. Please go ahead.

Mayur Parkeria: Sir, any CAPEX number for this Food Park at Vidarbha?

Anil Jain: This would be a little bit over a period of time because partly we would be investing to start with it into some kind of nursery, etc., along with Coca Cola and once the plants grow two years to three years is that is when you would put that up the actual citrus processing plant. Meanwhile, we will start a kind of fruit juice bottling plant incorporation or crop agreement with the Coca Cola. So I think overall investment over a period of time would still be less than Rs.100 crore and it is going to part of the Food division, Food Company where it is already kind of provided this kind of CAPEX going forward.

Mayur Parkeria: Okay. Sir, on the second side if we look at our segmental understanding the Green Energy segment which we have the capital employed in that is around Rs.380 crore, how much from that would be pertaining to the power plants which we have, any number will it be possible?

Anil Jain: Yes, the Green Energy, you know we had to set up one power plant almost close to 9.5 megawatt and that was Rs.100 odd crore, I do not have that number top of my head. Overall we are growing the Green Energy that also includes the biogas and other things which are there. But as we move forward we are trying to see that our overall business will grow and capital utilization would improve in this business because this have been initial years to set-up this business it is similar like what we did with drip to two decades - two and half decades and as we go long overall capital utilization in the business will become better.

Mayur Parkeria: Actually, sir I was just trying to get a split that the power plants and the biogas and the solar power they will be used more from a captive purposes and help us reduce the power cost and then there is other part of the capital employed which is actually will be revenue generating in terms of photovoltaics and the solar.

Manoj Lodha: Roughly it is 50%-50% we have solar power projects we have biogas power project and a couple of those initiatives so the total investment n those activities are around 150 crore and remaining 150 crore is for the off-grid solar applications excluding the solar pump so. This is how the break up is that Rs.300 crore.

Mayur Parkeria: Okay. Sir, any thought on this on the long-term continuation of this Green Energy you made a point that we would see the increase utilization of that but that segment has been quite subdued from some time in terms of even capital turnover ratios which we are seeing sales and also in terms of the profitability and it has choked up some of our capital in that sense, so how do we see on a slightly on a two years - three years' basis any plans on that side?

Manoj Lodha: First thing is that whatever investment is there in the energy power generation that has actually on the income tax we have claimed the depreciation so that benefit has already been accrued in some form. If you see the economics in part of the generation was using captive so arbitrage is again you know Rs.8 or Rs.8.5 per unit what we pay to the MSEDCL and we do not to have accumulation of those benefit into that division because it goes into the division which uses this power. But overall, if you see the return of course is low as compared to the other businesses but as I said it was originally envisaged as a strategic investment because we wanted to utilize come out with off-grid applications for some of the uses and it has given us the income benefit as Mr. Jain said going forward as the utilization improves, as we venture to more off-grid applications you would see better return on this investments that is what we are doing in this business.

Mayur Parkeria: Okay, sir, thirdly if we look at our presentation the Slides #7 and #8 which we talk about the standalone revenues and then we have detailed in piping the PVC PE pipes the fruit and quite detailed presentation of that. I was just thinking that with food now going into a subsidiary format if you can add similar information on the consolidated going forward it will help us to understand because till now the food was on standalone primarily so it was okay, as far as the domestic…

Anil Jain: I think once the Food transaction happens it would change some of these things will change may be from March quarter or whatever you would see some of this information a little of different format once that happens.

Mayur Parkeria: Okay. But broadly if we can add on a consolidated this information.

Anil Jain: It is already there also in consolidate in #9 and #10 right?

Mayur Parkeria: No, sir I was talking about that segment revenue which we have because all of our major segments are also having further subdivisions right so this has helped us to understand also the performance on a larger business but with Food now going on to the subsidiary structure if we can get that understanding it will be helping.

Manoj Lodha: Sure. We will provide as much understanding as long as it does not compromise information vis-à-vis competition or whatever else, whatever we can share we will definitely share.

Mayur Parkeria: Sir, my last question on again slightly on a broader scale. We are looking at operating margins in the region of around 6.5%-7% after depreciation I am saying not EBITDA, EBITDA level margins are around the but if we look at the operating profit margin they are in the region of 6% to 7%. And when we look at the capital turnover with 6,000 crore of balance sheet and 6,000 crore of roughly sales it is practically one so that gives us a ROCE of in the similar region of 6% to 7%. In our past we use to have ROCEs of double-digit of 11% to 12% also. I understand that the margins in MIS business have come off because of the change in business model but so has the capital employed by way of working capital. As we move into the next two years, do we have any internalization or targets we have talked about efficiency on the balance sheet but any number to look forward that can this 6% to 7% move to double-digits over the next two years situation.

Anil Jain: I believe that should happen. In terms of your number on standalone basis our EBITDA is almost at 15% and when you take that into account Rs.6,000 crore that our EBITDA is expected to let us say Rs.900 crore and above then it is not 6% or 7%.

Mayur Parkeria: Sir, I was talking about after depreciation.

Anil Jain: Yes, but I mean depreciation is also earnings you are doing. So overall we feel that from where we are today things will improve in terms of return on the capital and ROCE. I talked about two ratios earlier debt-to-equity and debt-to-EBITDA and as we achieve these two ratios automatically I believe ROCE would also improve because primarily what we are saying is that we would like to grow the business and grow the revenue while continue to improving the working capital efficiency as well as anything else we can do on larger other assets which we have. So our target is definitely to move towards I would say our own understanding of how we calculate ROC is that we should move towards plus 15% going forward for a couple of years.

Moderator: Thank you. Next question is from the line of Chetan Vadia from JHP Securities. Please go ahead.

Chetan Vadia: Sir, I have two questions, the tax provision for the quarter is very low so what kind of outlook can you provide for the tax for the year as a whole for FY16 and if possible for FY17.

Manoj Lodha: So you see the tax provision actually is reversal, it is not even low, it is reversal because we do get certain tax benefit in the form of 80-IB and 80IA, certain R&D, 35(2AB). So a weighted direction we have better I would say deductions available compared to the taxable income so that is why you see either low tax rate or even reversal deferred tax adjustments. But this year again we are not expected to come under the current tax, with a year may be we will end up with a positive PAT so we may have some MAT implications but in terms of cash out flow maximum you can take is a 20% which is MAT for the purpose of your working but current tax would not be there so this is what is the outlook for 2015-2016.

Chetan Vadia: And can you provide some outlook for 2017?

Manoj Lodha: 2017, again I would say depends on as Mr. Jain said growth and profitability but in the normal course we have few accumulated depreciations available so my expectations is that current tax may not be there again the outflow to the extent would be restricted to the MAT provision so that may be even for 2016-2017.

Chetan Vadia: Okay, I take that. And one question to Mr. Jain, sir you spoke about the total investment required in the Food Park in Maharashtra will be less than Rs. 100 crore so we spread across many years so what kind of investment you require for the Andhra Pradesh MoU that you have signed earlier?

Manoj Lodha: I think Mr. Jain's line has dropped out or may be not be reachable. So in Andhra Pradesh, we talked about Rs. 380 crore kind of investment, that is spread over five years to seven years in phases we are going to create a facility similar to what we talk about Vidarbha,. Overall as we are raising the funds in Food business part of that in next one year or two years has been allocated from those equity funds but all these investments are going to be spread over five years reasonably and we do not expect more than Rs. 70 crore, Rs. 80 crore in any of the years between these two projects.

Chetan Vadia: So you expect the most of the investment will happen through the fund raising and the internal accrual so there will not be debt risk or this thing?

Manoj Lodha: Right now we are not contemplating any debt funding for this project.

Moderator: Thank you. Next question is from the line of Darshit Shah from Quest Capital. Please go ahead.

Darshit Shah: My question is two-fold one is that you know total $120 million of fund raising plan which we announced and which you clarified that we are in process for the food processing business so just want to understand from you that as far as documentation is concerned procedures are concerned from our side is it done or they still are pending, that is one. And second is the promoter infusing capital is concerned so by end of this quarter we are expecting to complete or it is already done as far as promoter part of the equity raising is concerned.

Manoj Lodha: So let me clarify this $120 million includes whatever promoters are infusing like about $17 million so it is a total plan what company is trying to raise in terms of equity raising. So everything when Mr. Jain said that the promoter plus the investor all will get funded in this quarter so, entire $120 million would be available to partly in the parent company Jain Irrigation and partly in the Food business. We already talked about most of the funds are going to be utilized for deleverage and partly for CAPEX in Food business so that is the plan today.

Darshit Shah: All right. So my question is that so the divestment in Food Processing business is concerned so all the procedure has been done followed from our side so it is only the regulatory approval like CC approvals that is pending right or other things are also pending.

Manoj Lodha: No, partly also few lender approvals are pending for transfer of Food business into a subsidiary and the other permission was Mr. Jain was referring to the competition commission so we expect all the permissions to be in place in next one week or two weeks.

Darshit Shah: Okay. So like to summarize all the approvals will be in place so this transaction will get concluded in next two weeks.

Manoj Lodha: Means the procedure would be done. Then we have to work on the CPs with the investor and that will take may be another one week or two weeks, so overall before end of this quarter we said the capitalization should happen.

Darshit Shah: Okay. so the capital money should flow in by end of this quarter?

Manoj Lodha: Yes.

Moderator: Thank you. Our next question is from the line of Chetan Phalke from Alpha Invesco. Please go ahead.

Chetan Phalke: I have a question related to our solar pumps order from government of Maharashtra, there was some news flow regarding that order will postpone, the government is reworking on that and are we getting traction on solar pumps business from some other states?

Manoj Lodha: So we already have few orders from other states including UP, Karnataka, and Rajasthan, so that is already there. About the order from Maharashtra, Mr. Jain has already clarified that some issues were discussed among the political parties and they are getting sorted out among themselves. We do not have any communication on that but independent of these orders I think we are also getting orders from various other states and the realization has been in line with what typically we would expect from those orders.

Chetan Phalke: Okay. And the second question is are we seeing any improvements in our overseas business particularly in Turkey and Latin America?

Manoj Lodha: Yes, Turkey has almost turned the corner, operations have improved. If you remember we have consolidated the operations of Turkey under Israeli operations and with a combined operations of Israel plus Turkey they are PAT positive so that is a good turn around particularly in turnkey. In Latin America businesses are good except volatility in currencies some of the countries like Brazil and few other in Latin America. But in local currencies the sales have picked-up, the profitability has improved but when we translate into dollar terms or in rupee terms with depreciation in currencies one cannot really see a positive impact on the growth but overall in the local curries those subsidiaries have improved significantly.

Chetan Phalke: Okay. Thank you, sir, one more last question is that can you give me figure for maintenance CAPEX for this particular year only for maintenance CAPEX?

Manoj Lodha: So of Rs.120 crore - Rs.130 crore we will be spending about Rs.90 crore to 100 crore on maintenance CAPEX.

Moderator: Thank you. We will take one last question from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Sir, just coming to the point of this infusion by the promoter and your affirmation on the same that it will get over by this March quarter, what is the interest cost that is going to be down by the end of next year how much we will be saving only on account of interest?

Manoj Lodha: So we have two ways of repayment of loans. Major part will be standalone balance sheet and part of and part of the loan will also repaid on our overseas balance sheet. So all in all some debt reduction will happen against the high cost rupee borrowing that is around 13%-14% what we have on India balance sheet. Some part would be also used to repay the dollar loans in overseas because we are also transferring the overseas Food business into a subsidiary and we need to repay some loans related to the Food business in those subsidiaries. So all in all I expect on annual basis, we should have a saving somewhere between Rs.60 crore to Rs.70 crore because of this repayment and on the top of that as Mr. Jain said if that helps us to rerate the company and improve our rating that would be another saving so our target for coming years would be at least save Rs.70 crore to Rs.80 crore all put together.

Saket Kapoor: All put together. Sir, the manufacturing expenses have gone up on quarter-on-quarter by 20% on a consolidated level from Rs.100 crore to Rs.121 crore any one-off items that we made into account?

Manoj Lodha: So the projects which are not being built yet but where the expenses have been incurred those project expenses normally get categorized under other manufacturing expenses. That is why you see there is small increase on that particular head but these are related to the projects what we are implementing which has not been yet built.

Saket Kapoor: So that is going to get evened out going forward.

Manoj Lodha: Yes, that normally does.

Saket Kapoor: And sir, fourth quarter being the highest quarter in terms of the revenue booking, what percentage of our sales are generally booked for the fourth quarter on an annualized basis?

Manoj Lodha: Somewhere between 32% to 35% takes place in the last quarter.

Saket Kapoor: And this year there will be no exception is that to be in that bracket only?

Manoj Lodha: Yes, in a normal situation it has to be in line with that.

Moderator: Thank you. I would now like to hand the floor over to management for closing comments, over to you, sir.

Manoj Lodha: I think, Mr. Jain's line has dropped out so I will just conclude. We had a very detailed discussion at the beginning so it looks like we are on a positive track. We should be able to deliver better for the coming quarter as well as for the next quarter. With the equity infusion happening and some of the initiatives we talked at the beginning you would start seeing the positive momentum on the balance sheet as well as the income statement. If anybody has any questions then they can contact us any time. Thank you.

Moderator: Thank you very much members of the management. On behalf of Jain Irrigation Systems Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

Jain Irrigation Systems Ltd.
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