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Jain Irrigation Systems Limited

Q1 FY19 Earnings Conference Call

August 14, 2018 at 02:30 pm IST

MAIN SPEAKER:

- Mr. Anil Jain: Vice Chairman and Managing Director
- Mr. Atul Jain: Joint Managing Director

Moderator Ladies and gentlemen, good day and welcome to the Jain Irrigation Systems Limited Q1 FY19 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Siddharth Rangnekar from CDR India. Thank you and over to you, sir.

Siddharth Rangnekar Thank you and welcome to the Jain irrigation Systems Conference call for quarter 1 FY19. Joining us today, Mr. Anil Jain – Vice Chairman and Managing Director, Mr. Atul Jain – Joint Managing Director of Jain Irrigation Systems and Mr. Neeraj Gupta who heads Investor Relations. We will commence the opening remarks with Mr. Anil Jain following which we will have an interactive question and answer session. Before we begin, please note that some of the statements made on today's call could be forward-looking in nature and a note to that effect has been included in the presentation which was made available on the company's website. I would now like to invite Mr. Jain to give us the brief overview on the company's operations for the quarter ended June 30th 2018 and the opportunities that lie ahead. Over to you, sir.

Anil Jain Welcome to all of you. We came out with our results yesterday and I believe we had a reasonably good quarter, more or less in line with our expectations. Our company has businesses linked to agriculture and there is a significant amount of seasonality into these businesses and some of the seasons are difficult to predict for various reasons. So, therefore quarterly results do not necessarily always indicate what is the best outcome, what is going to be for the whole year. So, I would like to urge investor, analyst and everybody else to think through of this quarter as a part of the journey and really we as a company are focused on delivering on annual basis what we had said at the start of the year post our discussion on the March results in terms of our forward guidance. Having said that and seasonality and the quarter issues affecting the various businesses, I would still say that this quarter has been a quite strong. We have registered almost close to 24% growth in revenues and 17% of that was in standalone India business and also we had a strong growth in all over different overseas businesses. So, all in all combine consolidated 24% growth is reasonable set of numbers in terms of growth opportunity.

If we look at individual businesses, all businesses have grown. Micro irrigation was at about 16.5% in India, let us say as a part of high-tech division. Overall high-tech division was about 13% out of India but then when we look at consolidated revenue growth high-tech division came out at about 16.6%. But plastics did very well. Plastics in India grew 23.8% and we have outside India plastic business is limited, only mostly plastic sheet product. But that business did well. So overall, combined global plastics revenues grew 26.7% and as far as the food is concern, the business in India grew about 27% in terms of the revenue. While global consolidated of food grew at 41.3% partly due to higher sales into our US and UK subsidiaries and also due to the addition of the Innova acquisition which we did in February, their quarterly numbers have been added. So, that explains overall revenue growth and this is in line with our annual target of the growth across all the businesses. So, there the momentum is good and we are on our way. Individually speaking micro irrigation business, our project business we did quite well this quarter. Retail business was somewhat subdued and I would expect at least another quarter same situation but assuming the monsoon becomes very stable and all along quite good before it ends and sometimes in September. We expect somewhat better retail opportunity going forward because there have been continued issues from the last year in certain individual states due to disruption of rural market or lack of access of credit to the farmers or combination of those situations, have not allowed retail business to pick up. And we had said that at the start of the year that we are assuming growth mostly for the current year to come from the projects rather from the retail business. So, as of now what we had said at that time seems to be also moving in the same direction.

In terms of margins in irrigation business in India our margins out of India are within our range of 20 and 22 and in fact they are slightly better than what we did the same period last year. So, micro irrigation margins were stable, and they are holding themselves. Our international that is global consolidated EBITDA level margin have slightly come down half a percent or so compared to the same period last year and partly that was due to some currency related issues being faced by our international subsidiary out of Israel. Because they operate in Mexican market, Brazilian market, Turkey market and so on. So, there was some impact due to international currency issues there. But still, our overall consolidated global EBITDA margin, micro irrigation plus tissue culture division as under Hi-tech is 17% plus. So, that is in line with our expectation, there is no major change there. In terms of overall plastic product margin I think overall EBITDA margins on the plastic have improved compared to the same period last year and they are still very close to what we had achieved in March that this margins from the plastic division are now we are clocking close to double digits all the time. And there also we had small amount of improvement compared to the last year even at the consolidated level.

In terms of the food business, the food business we had a very strong growth in terms of revenue as I explained earlier and but in terms of margins we had high value inventories post season of the last year and in the new year in the current fiscal year, the prices of whether onion, mangoes, etc. have come down and that has reduced selling prices while some of the inventory we had was from the earlier stocks which were higher. So, some of these new prices, lower prices, etc. and the inventory with lower prices would now come into being between June and September quarter. So, we expect that we will have a better margin profile in the December and March quarter compared to what we had in the first quarter in the food business. Therefore, food margins have actually come down during this quarter even though revenue went up. But we are quite happy with the way things are evolving because it was very important for us for the food business revenues to come back from the kind of slowdown they have suffered over last few quarters. As a division it has grown very well over last 10 years but FY18 and part of FY17 was not that great compared to earlier 8-8.5 years. But I think we are back to the growth now, good amount of growth and I think in second half we are planning that we will catch up with the margins, so that overall business will get back to its normalcy of high growth and reasonable margins scenario in totality.

So, this is where all the businesses have been. During this current quarter we also got some couple of large orders one in Maharashtra, one in MP related to integrated irrigation projects. That just reiterates our confirmation that as we go and execute some of these contracts going forward, not only in the current year but next year and the year after, because some of them have 2 to 3 year life cycle, would mean that we can have continuity of high revenue growth rate for the business. There has also been this fear that as our project business grows possibly margins may come down. But we have not seen evidence of that kind of perception as of now consistently over last 3-4 years while our project business has ramped up itself margins have remained stable within our range of 20% to 22%. Now, in terms of going forward last year we did 2 acquisitions one was AVI and IDC and last year that acquisition was done in the middle of the quarter, so mid-May sometime. This year this is the first time, we got the full quarter, June quarter compared to last year and therefore that has been also captured in the micro-irrigation growth or high-tech growth which we have. These 2 acquisitions they are doing well, their EBITDA is also in line with our expectation. Again, even in those markets or whether California market or other market there is a seasonality, time-to-time there are issues about rain or dryness or fires in the forest and so on. So, business does get impacted by all of these. But despite all of these external factors I think we have enough levers in the business to continuously manage the whole situation in a dynamic way including our local managements wherever they are, so that we stay the course in terms of as a company where we want to go.

The order book for the whole company is now about Rs. 4,600 crore or Rs. 46.3 billion which is almost 15% higher than what it was let us say end of March. Within that the order book in India is about Rs. 31.6 billion. So, due to the higher orders we have been getting into micro-irrigation and other business while outside India there is no big project business, so the order book level in as per usual cycle at this given point of time. So, having said that in terms of balance sheet, our debt is higher compared to March but that was estimated and that was planned. If you see historically usually the June quarter our debt is higher compared to March because we tend to invest into inventory and also sometimes receivables do go up as we start building for the next year and that is what is happened in the current year as well. The debt is also higher due to the rupee deprecation, well Rupee moved from Rs. 65 to Rs. 68 compared to end of March to end of June. So, almost about Rs. 1.25 billion is due to increase of the liabilities in terms of the debt on the balance sheet. The second part is that the reminder of debt increase comes mostly due to increase in inventory and some increase in the receivables as well as this is the time we end up paying more payables, which were built during the last quarter of January to March. So, there has been reduction in payables, there is increase in receivables and there is increase in the inventory, which is balanced by increase in the working capital debt mostly what we have seen in the company in this quarter.

For the whole year we have guided that we would bring down the debt compared to the last year. The last year debt was Rs. 39 billion on a net-net basis at March 2018 and we had said that for the March 2019 we were hoping and targeting internally to reduce that debt by almost Rs. 3 billion, so bring it down to Rs. 36 billion and I think and I believe as we stand today based on the business plan we have in place as long as we achieve that we should achieve that objective that would mean the net debt should be closer to Rs. 36 billion. We had also mentioned at the same time that we want to target debt to EBITDA to be closer to 3. Now and we had also given guidance of EBITDA to be close between Rs. 1,300 crore and Rs. 1,400 crore. So, if you take EBITDA to be at Rs. 13.5 billion and multiply by 3 then it will give you debt closer to let us say Rs. 40 billion. While that absolute debt number we have talked about Rs. 36. Our business as I said has certain level of seasonality, unpredictability also its an international business so various currencies do affect our balance sheet and balances. Therefore, we have been cautious to say that we would like to maintain the debt to EBITDA to be 3 and I will be very happy we do bring less than 3. While we have taken upon ourselves at the same time to bring down the net debt by Rs. 300 crore. So, we are pursuing both the targets at the same time and let us hope that subject to some external volatile events we do come up to where we wanted to be.

Second part of that is about the free cash flow. The last year we had generated about 2 billion plus free cash flow and we hope that in the current year what we have planned that assuming some lesser amount of CAPEX than the last year and additional level of profitability, a combination of both we should try and hit free cash flow close to Rs. 5 billion as against last year's Rs. 2 billion plus despite type of the growth we are planning to achieve. So, these are the larger target numbers we have set upon ourselves for the whole year in terms of balance sheet and it is not necessary that they can be achieved in the first quarters, most likely they would be achieved and you will start seeing those mostly in the third and fourth quarter. So despite what is happened with the balance sheet in the first quarter we remain committed to these numbers for the whole year and we can talk little bit more about those maybe post September and December results but as last year Rs. 7 billion free cash flow generated in the fourth quarter. So, that is in the big quarter which is still couple of quarters away. Now, this was about our individual businesses, a couple of other questions or queries which have been in the market or nearby is that one has been situation linked to likely listing of our food business and as I have said earlier is that our board has told us to explore we have decided that this is the right thing to do. But in terms of timing when exactly it will happen, it is uncertain at this moment. I believe it can happen sometimes in next 12 to 18 months and this is what we have said publicly earlier also. So one, we will have to wait and watch depending on the market situation, market opportunity, the right type of valuation we get is when we will plan to do it. Meanwhile underlying business, as you have seen in the first quarter has done very well in terms of revenue and in second half, margins also should improve.

Overall, all businesses generally speaking are doing well which is positive news. There are some challenges also, I mean everything is and cannot be hunky dory in today's world. We saw what happened with the Turkey. We have a small operation in Turkey, it is only $20 million, so it does not create significant impact on us but it impacts the Indian Rupee may be some other emerging markets where we operate like Brazil and Mexico. So, we will have to remain watchful what is the impact of such situations but things like Turkey we plan to use that plant more for exports. So, we want to see that how we can use this kind of a scenario which is adversity and convert that into an opportunity. So, we have enough dynamism within the system or production capacities or have a market structure where we would be able to do so. But the currency volatility, crude prices volatility, their impact on polymer prices, it does remain a challenge. We have managed that challenge reasonably well in the first quarter and we hope with all the risk mitigation measures we have in place we should have that also in the second part.

Meanwhile, we at a company level, to get over these, to create some extra cushion in India as well as that our Israel subsidiary with some help of outside management consultants we are embarking upon cost reduction as well as sustained revenue growth, scenario planning or the efforts and I think these will start showing results maybe fourth quarter onwards, so we are getting engaged into that kind of activity as well which we have never done till date. Company has grown mostly organically based on in-house management. We are now taking some outside management help as we move on to the next level of the growth opportunity as well as a cycle as a business per se. Another question has been about this quarters result in a sense there was a higher other income. Now, in the accounting standard which we follow there is a need to get your assets and liabilities in terms of mark-to-market. So, we have a listed bond in Singapore and bond was quoting at a discount and because of that whatever was the bond price on 30th June we had to take the impact of that and that is a gain, which came to our P&L. And post-tax, the impact of the gain maybe close to about Rs. 300 million or Rs. 30 crore plus. And that is what is reflected into the net income. So, even if we keep that aside for the moment I think, our net income is higher than the last year, despite the fact that we are low margin especially in the food business while other division's margin have done well. It is possible that in the next few quarters bond prices may go up and this particular gain which we had might have to be reversed. So, that is that in terms of higher other income. But otherwise, that was one big specific story linked to that.

In terms of working capital, quickly this is the season when some of our receivables etc. go up but now as a company is growing and almost half of our business is outside India, we are also looking at the consolidated working capital numbers rather than just focus on India. If we really look at consolidated numbers on Hi-tech which includes micro irrigation, June 2017 our account receivable were 148 days and this year in fact there were 136 days. So, if you see on that count, on a global basis in Hi-tech business, in fact the receivables have come down by 12 days or so. In plastics again the receivables have come down by 4 days from 101 days to 97 while in case of agro, they went up just by 2 days. Now on the other hand if you look at inventory, inventory compared to the same period last year has also come down again in Hi-Tech or in plastic and as well as agro. So, inventory was almost 149 days same period last year, it is now 127 days, but payables have come down. So, on a net basis our working capital was 171 days last year same period and it is down to 157 days. So, there is a substantial improvement on the working capital side.

Now, as I said our business cannot be calculated on sequential basis. March is our best quarter in terms of revenue margins as well as working capital reduction and free cash flow generation. So March was like global net working capital 140 days, now it is 157. So, compared to March it is higher but compared to the same period last year there is a substantial improvement and compared to March also, I think receivable level is almost same which was 139 days in March it is 136 now. And plastics has gone up somewhat, agro has come down, so all in all account receivables are at least slightly better than even March. Within India, the receivables have gone up in case of I would say Hi-Tech business compared to the same period last year. And one in the case of plastics because of significant amount of growth while inventory has come down compared to the same period last year. So, on a net working capital basis even in India standalone, we were 157 days same period last year and we are now down to 156 days. So, again we will have within an individual division some variations quarter-to-quarter but as one can see our working capital is quite well managed.

One would always likely to be better and let us hope that by the time we reach March 2019 our overall working capital we will still see some further improvement and that is how we are hoping that we will create Rs. 500 crore of free cash flow because as we build this additional business hopefully we do not have to add anything new to the working capital and that is where you will see reduction in working capital in totality. So, I believe this was little bit of a detailed 30-minute opening remarks to give you complete 360-degree view of the company. And again, reiterating this is just one quarter and as we go along, especially in second half some of the areas where you see weakness either margins or on debt level or working capital you will see further improvement for the whole year. Thank you for your patience and for listening and your support as investors and analyst community and we would be happy to answer any questions you may have now. Thank you again.

Moderator Thank you very much, sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Sandeep Sabharwal from ASK Sandeep Sabharwal. Please go ahead.

Sandeep Sabharwal So, my question is that, see in terms of this overall debt profile, after you raise the money from Mandala Capital it was believed that the debt would be on a downward sloping thing because you did not need significant CAPEX. However, the debt keeps on actually hovering around higher levels and if on an average in a year it remains very high and it comes down in the fourth quarter, the actual interest costs remain very high. So, even if it comes down in the fourth quarter as a company you end up paying much higher interest during the year and that eats into shareholder returns. So, in fact if you look at your P&L, you seem to be working more for the people who have lent you the money, rather than for shareholders. So, when can shareholder actually expect returns from the stock?

Anil Jain I do not know about the stock price and Mandala investment came 2 years ago. But overall, I think I have been consistently speaking on this issue that our business is working capital intensive. As business grows, working capital intensity has gone up in the past, also during this growth period we have invested, we have invested into new plant or facilities, we have invested some amounts into new acquisitions. For example, last year the debt went up because we did a big acquisition in US on one hand or we did another acquisition in case of food in Europe. Now, some of these are strategic investment opportunities we were given at a given point of time and then we as a management felt we must at that point of time in the long-term interest of the company. In short-term, it did create an issue that the debt remained at elevated levels. But at the same time I think you would see that in case of working capital especially as a company we have been consistently improving working capital. And this year, at least we have taken a commitment that we would ensure that the net debt would come down by Rs. 300 crore even if business grows up by Rs. 1,500 crore. Now, in terms of shareholder returns we have also have been improving earnings, so let us say our earning earlier was maybe Rs. 800 crore last year it has gone then went Rs. 2,000 crore then it went to Rs. 1,150 and this year we are talking about earnings of Rs. 1,300 crore to Rs. 1,400 crore. So management, we are consistently increasing revenue as well as earning. Some of that earning definitely is being eaten by the interest cost and interest has been almost same for last 2 years, I think 2017 and 20187 was almost very close to each other. In case of 2019, we had said that maybe there would be some amount of reduction in interest because of the better credit rating but I had also said that, that benefit we should get in the second half. Meanwhile interest rates have risen. The fact that you mentioned that it seems that we are more working for, it seems for lenders other than shareholders, it is actually factually correct statement for last few years. But I believe, structurally we as a management and our underlying business we are trying to steer them where we would have lower debt and lower interest cost going forward. It has taken some time and business went through a significant change in terms of business model and what not and then possibly other external reasons. But I do not want to ever take an excuse of external reason because that is part of what we do in business and being a listed public company they would always be there. But this is where we are today, I think and we are very sincere about where we want to go and we hope that over next some period of few years, you would see that we have not only improved sustainable revenue and profit growth but you will start seeing some reduction in the debt. Now, overall debt continues to remain at a level, we were once upon a time 5 times debt-to-EBITDA and our target this year is 3. So, that is an improvement it is not good enough, right but in the type of businesses we are in, sometimes it has been essential and necessary or at the growth stage we are in as a global company where we want to build ourselves to be. So but the message is loud and clear to us that while revenue is important, margins are important but cash flow should be even more important. And that is why from significant negative cash flows earlier year, last year we had Rs. 200 crore free positive cash flow and we have just now said that we are planning this year to have Rs. 500 crore free cash flow and that would mean debt reduction. And hopefully this time next year we speak you would have seen those numbers that is what I really planning for.

Sandeep Sabharwal My second question is that, most businesses tend to have high operating leverage in the sense that when the topline grows very significantly as we saw in your business last year and also which is evident in the first quarter this year. The fixed cost tends to get spread over a larger turn over and the margin profile tends to improve but that also does not seem to be evident. So, is there any specific reasons for this in the short run and you will see that happening in the long run how would you look at it?

Anil Jain We do not have too much of fixed cost compared to lot of other companies. For example, in India our manpower cost is close to 6.5%-7% lot of companies would have more than 10%. So, they will get that bump up when they produce more or sell more but in our case our fixed cost is actually quietly low. In terms of margins, our EBITDA margins which we make in India as I said between 20% and 22% but they were averaged between 21 and 22. It is highest in the world, I mean there is nobody else in the world who makes 21% margins. So, I do not know where, from where somebody will say okay come can you make 25% it is not that kind of business. I think, 21% it is the highest type of margin anybody makes in this business. So, we have been quite stable and sustained at those levels of margins and please remember that also at the same time there are some other issues which impact your margins, right? So, there could be volatility in the polymer prices or crude prices, there could be foreign exchange impact, there could be other seasonal issues one may face into the end-market. There could be government pressures on pricing despite all these pressures and volatility, we have been able to absorb and consistently maintain margins. I think, that is what we have done. So, I would not like to mislead investors to say that look I am going to continuously going to keep on increasing my margins. I think, we have said that we will grow and I think, revenue growth seems to be quite good and our margins would go grow slightly better than the revenue growth. But they are not going to be significantly different because that are always certain other headwinds as you try and do the revenue growth, that is where we are. As a company also we have different product mix, right, so plastic products again another example. Our margins earlier used to be around 7% or 8% with the higher growth in the plastic products. Now, we are closing last year was the first year we had a combined margin in plastic product at 10%. So, that was quite nice that we have moved from 8 closer to 10 and we hope there the nature of the business is changing as we do this larger projects, etc. we are hoping that we will start improving even more than 10% as it is possible in that business because structurally the type of the product will make is changing. And maybe from 10 over a period of 2 years or so, we might go to closer to 12 and that would be in line with lot of other quarter-on-quarter plastic processing company. This is where we are and this is all, I think we plan to do and we hope to achieve.

Moderator Thank you. The next question is from the line of Dhavan Shah from KR Choksey. Please go ahead.

Dhavan Shah I have 2 questions. Firstly, about the agro processing segments, so the capital employed has been increased by around Rs. 250 crore during this quarter. So, I suppose that is related to Innovafoods. So, can you please share the revenue numbers and the EBITDA numbers for the last quarter from Innova?

Anil Jain Innova Foods, this particular quarter was about, I think in terms of revenue about $7 million or so. Sorry, $4.7 million and the EBITDA was about 17%, $0.8 million. And the increase in the capital employed is also because during this quarter inventory goes up where we process things like mango, onion; these are our major seasons.

Dhavan Shah Right, so whenever we look at the growth in agro processing segment there is always increase in the short-term loans because of the nature of higher working capital in the particular business. So, as we see in Q4, I mean the short-term debt reduced because of lower growth in Agro segment. Now, the growth has come back to around 15% Y-o-Y, so our short-term loan has also increased. And see, margins are still the lower, in the single-digit, vis-à-vis around double digits margins in earlier years. So, when can we see improvement in the overall margins in the ROC profile for this particular agro business? And what is the overall debt from the segment if you can share?

Anil Jain So, in terms of margins as I explained earlier this year, margins were lower because we are carrying inventories from the last year which we sold out while prices for the finished goods went down. So, there was a realization was lower and inventory was at high cost. Now we have process inventory at lower cost in the June quarter and we continued to do also in July and August and the benefit of this one we will see in third and fourth quarter. So, I believe third and fourth quarter the margins should be much better than they have been in the first quarter. Now, as we sell this inventory we would also be able to repay the short-term debt, the working capital which we have to borrow, and also the order book has been quite good. We have now process record level of quantities this season of mango and therefore, you will see that between third and fourth quarter substantial reduction in the inventory and then consequently the short-term debt which we have to borrow in this particular business. This is second part. The third part is that our overseas business Innova as I said was a new acquisition which has done well in line with expectations, our expectations. But our UK business did not have that great March and June quarter. But I think, for the whole year they are expecting much better results, same with our US where we had a revenue growth but did not have margin growth. We are expecting, adjusted to seasonality for the whole year they should also do better. So, our overall target, in the food business was this 25%-30% revenue growth and also about same or in fact little bit higher level of growth at EBITDA level in the food business for the entire year. And post first quarter even the first quarter margins are lower based on all the orders we have in hand, the inventory cost we have now. I feel that 25%-30% revenue growth and north of 30% EBITDA growth in food business will happen for the whole year.

Dhavan Shah And maybe from this year or maybe in the next year we can see double digit margin around 12%-13% EBITDA margins for the agro business?

Anil Jain Yes, they will be back to that level for sure.

Dhavan Shah And my second question is about the plastic segment, so the growth for this quarter is also due to the low base which we are seeing, for maybe in second quarter also we can see same kind of growth in the plastics segment but post first half there will be a high base. So, do you foresee that kind of growth in the second half as well as in the plastic segment? And what kind of utilization level, plant utilization level for this segment apart from this, I think the break up is not there in terms of the PE pipe, PVC pipe and PVC sheet in the presentation. So, if you can share that numbers as well?

Dhavan Shah So, overall growth when you see for the PVC has been low single digit growth while PE has grown more than 60% , sheet was negative growth out of India. But when I look at global consolidated overall plastic growth that number you can see that is about 26.7%. To answer your first question in terms of second half we had targeted that overall growth in plastic business would be in line with the overall company, right somewhere between 15% plus. This quarter we did 26%, so that was quite high. On a conservative basis we think, we will maintain our original guidance that for the overall year we should still grow more than 15%. How much more it depends, it is subject to some factors which we do not know today but order book is again strong there. We had really a good quarter this year in this business. We have good order book even now and I think, assuming monsoon goes good PVC and PE should pick up well. We already we have good orders in project or other orders from other corporates or a solution provider. So, it is not that this year this quarter we have grown 26 and next 3 quarters will grow very low. It looks that we could still do good growth in the remainder of quarters.

Moderator Thank you. The next question is from the line of Balthazar Florentin-Lee from Sloane Robinson. Please go ahead.

Balthazar Florentin-Lee I wanted to ask with news in international Fx rates. Could you help us understand your non-Indian Rupee earnings are coming from your US, European and other global businesses? And what they produce roughly speaking in terms of EBIT? And then what the service cost of your non-Indian denominated debt is as well?

Anil Jain So, in terms of the EBIT, I think for example this year this quarter out of Rs. 2.9 billion total EBIT about Rs. 1 billion came from overseas and about Rs. 1.9 billion came from India on how we measure it. Now, in terms of overall finance cost overseas it is much lower let us say compared to India because there is so much of debt in India which is higher at the Rupee level cost and so, out of let us say Rs. 1 billion, Rs. 0.3 billion would be the interest cost, the debt cost outside India.

Balthazar Florentin-Lee And following your terrific win in the projects space in MIS, you are in some media channels talking about that, so what that means to business. What is your guidance for MIS in India looks like at the moment?

Anil Jain I think, MIS business on the project side, we are looking projects to grow almost 80% to 100% this year because last year our overall project in as a part of MIS division was close to about Rs. 5 billion and we are expecting this year that to be close to it in Rs. 9 - 10 billion. And so, grow up substantially 75% to 90% in that range. We will have some growth let us say in exports and then the retail we had said we will maintain at the same level. Now, it is possible that some higher revenue growth might come from retail in the second-half but one cannot be sure of that. I think, in the past there has been this question about Maharashtra sugarcane scenario or even Gujarat government has announced some new thing about making drip mandatory for sugarcane. Now, in case of Maharashtra things have not started happening but I just saw 3 days ago or 4 days ago a tweet by government of Maharashtra showing that the Chief Minister is talking to various stake holders in this whole sugar mills, etc. and telling them that they must implement that program otherwise they may not get license to operate. This is public news one can see on their Twitter. Same way we are working with Gujarat government to see how they design the program they want to create to intervene to ensure that in sugarcane which is a biggest water guzzler, there would be more usage of drip and sprinkler. So, if these things happen they really come to life then, even retail could grow but assuming let us say retail remains subdued, our project business is still robust enough to say that overall business, which was last year I think Rs. 20 to Rs. 23 billion should grow to Rs. 27-Rs. 28 billion in India and overseas also we are planning more than 20% growth between Israel and US operations and so on. So, combined global, I think we feel that what we guided at the start that will grow more than 15% still holds true. We grew about 16.5% but if we could do better we will see that in at end of second or third quarter.

Balthazar Florentin-Lee And if it is okay just ask another question. Please elaborate on what are the challenges you are feeling in domestic retail at the moment? And where those are coming from because it seems that the global economy is starting show some signs of recovery from the outside? So, I am wondering if there is something particular to MIS or the subsidy schemes that is standing in the way of good growth there and whether that could turn with the good monsoon or whether it needs some change to the infrastructure in MIS schemes around India. So, see some growth in the retail space?

Anil Jain Yes, we were also feeling and thinking the same issue and we have been digging deeper to see and we have done survey of our customers and what not. What we see is happening here is when you see that rural economics doing well or maybe the FMCG companies are selling more and their growth is back to 12%-13% based on rural consumption. Last year there have been lot of loan waivers, so farmers have some extra cash in hand which is allowing them to increase their consumption. But when they look at something like micro-irrigation, it is an investment for them. So mostly they take the loans rather than use their extra cash available with them towards going for this investment. Now, unless they are very business-oriented and some of our business continues at almost same level because there are farmers who are willing to invest despite whatever was the rural situation earlier here. But growth is not happening because of this loan wavers and loan wavers have happened in Maharashtra, Andhra, Telangana partly I think, in Rajasthan and so on. So, these farmers are not getting new loans from the banks because banks are still in the process of giving the earlier loan wavers or managing their account and they are not willing to give new loans to the same farmers to whom they have waived the loan. So, what I have heard in the market place is that farmers are not getting new loans for investment purposes especially because governments is pushing the banks to give them new loans for the crop loan that is production loan towards the expenses. But they are not getting new loans for the investment purposes and that is what is causing some delay in this whole investment at the farmer sentiment level. Even though in rural economy consumption has grown, as because of all the loan wavers there is some extra cash in the hands of farmers. That may be little bit simplistic but at least that is the feedback we have apart from the individual state issues which may be there like Gujarat post-election it has taken them lot of time to restructure themselves or restart again. Maharashtra has continued to suffer because of the loan waver not being implemented properly if it is still going on for last 9 months, so banks have not just started relending yet. Andhra, Telangana went to the similar process and that is the reason I believe the retail has not really picked up even tough based just on quality service we have been able to more or less maintain the business at the same level.

Moderator Thank you very much. The next question is from the line of Swati Madha from East Capital. Please go ahead.

Swati Madha So, can I just get some color on your revenue from outside of India? You talked about Turkey exposure $20 million of revenue. So can you also mention what was it for Argentina and LATAM? Or I mean, of these currencies, which justcontinue to see some depreciation, what is the exposure to these?

Anil Jain I mean, if we look at our overall business outside India it is about close to Rs. 1,000 crore let us say in this particular quarter. But exposure in irrigation business link to these LATAM countries would be hardly Rs. 50 crore-60 crore of that. So, I would say about 5% to 6%. It is not significant. We have a much larger business in US or even Europe where currencies are stable but LATAM countries, Turkey, etc. these are the issues I mentioned that while they have not impacted us significantly but they do impact and what happened with Turkey last week we do not know how that is going to play out later on. And hopefully this is an isolated incident and it should not really that much impact on that. This international business, NaanDan Jain which we have which operates through these global subsidiaries, since our acquisition 2007 every year they have been profitable even at the net level not just at EBITDA level. So, we have the levers to manage this volatility but as I said in a given quarter or 2 it might take you some time to adjust and you might have an impact. But on annualized basis almost for a decade and during this last decade whether it is Brazilian Real or Mexican Peso or Turkish Lira all these currencies have gone through enormous amount of volatility but our businesses, we have been able to learn, to manage them and remain profitable despite that. So, as of now I am not concerned big time with what is happening into those but we just should remain mindful of what is happening.

Swati Madha So, maybe to flip the question, can you tell me what is the percentage of revenue on maybe last year from US and European countries?

Anil Jain So, if we look at overall irrigation business, let us say the business size is maybe close to outside India $350 million. So, out of $350 million the exposure to these countries would be less than 10%.

Swati Madha And the foreign currencies nominated debt is predominantly USD, is it?

Anil Jain Yes.

Swati Madha And then just a follow up on the question that I think the first person on the call asked. So on the cash flow part, I understand that you had strategic opportunities and that is why you went ahead and did acquisitions in spite of balance sheet getting stretched. But can we expect that you will put the stop to this till the cash flow generation improves in the foreseeable future?

Anil Jain I think, we will continue to balance growth and cash flow both. Last year despite the fact we did that acquisition we did create Rs. 2 billion free cash flow. In the current year, I believe despite whatever we do in terms of acquisition we are very committed to creating a Rs. 5 billion of cash flow.

Swati Madha And can I quickly ask who the external consultant is that you have on boarded? Is it any of the big consulting?

Anil Jain Yes, it is a big consultancy firm, top level consultancy firm.

Swati Madha And on your debt, USD denominated debt, do you have hedge because not entire revenue is in USD, right that there is a natural hedge or something? Or is it naturally hedged?

Anil Jain Almost 50% our business is outside India. So, we have those levels of Dollar earnings, so we have significant amount of natural hedge. On the India balance sheet, our foreign currency loan is hardly about $40 million and our annual exports from India are about more than $150 million. So, I think there is a natural hedge there.

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

Parag Khare Sir, one question on our overseas business. So, for last entire year, you have been talking that our EBITDA growth will be more than the topline growth. So, if we see the entire FY18 at the company level we give around 16%-17% but our EBITDA growth was somewhere around 14% mainly because we suffered because of the fire incidents in Q3 and Q4. But in this quarter the topline grew by around 23%-24% but EBITDA is still languishing somewhere around 16%-17% growth. I know our food business margins were lower but are there any other reasons why our EBITDA growth is not matching the topline growth?

Anil Jain No, I think I just want to explain, it is not that languishing, 16% is the 16% growth right. There are different quarters and again I request with folded hand to investors, do not measure our numbers by quarters. But that is what you need to do as a listed company and that is the dharma. But underlying business does not work this way. We grew 26% for example in the pipe business, right or plastic business and this particular business the margin level is only let us say 9% or 10%. So, overall you will see lower EBITDA growth because of the percentage of margin itself is lower on one hand. On other hand, you build inventory, etc., there are different factors at play. In case of food, as I said specifically margins were lower for the higher level inventory we were carrying and in second half we believe our margin should go up. So, overall for the year, right we have said that the business revenue would grow more than 15% and earning should go from 11.3 or whatever they were last year to 13.5. That means, earnings will grow close to about 20%. Now, so that is what we have said, right that is what we say, that is what you plan and during the year during the quarter everything you cannot control. But directionally I can assure all shareholders we are moving in right direction as a company. All businesses are doing well despite whatever is happening. And I would not say we are very pleased and satisfied or we are patting our back, but I think considering the circumstances we are doing well in line with what we had projected despite the volatilities and let us wait for the whole year to see where is the numbers come out but let us not judge them by the given quarter.

Parag Khare And sir, this trade war situation between US and China, does that have, may that have an impact on us? I know we are not completely dependent on the entities which come under the trade war but these are food business, being export business may that have an impact because of trade situation?

Anil Jain There is no direct measurable impact. Indirect impact all of us are feeling, right. Rupee is suddenly 70 or whatever else, so what is happening around world it will impact all of us one way or the other. Yesterday oil prices went down 3%. That might impact us positively I do not know. But there is no direct impact, we are not big way into China as a company and what we do in US is domestic it has no direct impact on trade.

Parag Khare And sir, second questing regarding the loss of profit claim which we had and the entire insurance claim, has that been settled? Any update on that?

Anil Jain Not yet. I think we have not yet filed any loss or profit claim. The claim we had filed was only towards the insurance on the stock that is inventory and insurance related to property that is the warehouse, the building, etc. Those we expect to get closed during this quarter and then we will be filing after that for loss of profit. Once we have rebuild the warehouse, we have completed all of that, that is the time normally you go and file the LOP. So and when we file the LOP and that gets kind of crystalized is when that will get recognized in the books. But as of now that is not there as and when that happens we filed and we receive that would be a plus for the business.

Moderator Thank you. We move to the next question from the line of M Samraj from Dwarka Wealth Managers. Please go ahead.

M. Samraj My question is on the consumer FMCG part of Jain Farm Fresh that is FRU2Go and the frozen foods having a popular brand name Aamras. So, exactly where do we stand in this marketing and the only thing what I could pick up from the internet media was families or individual housewives writing positive blogs on FRU2Go. But on the ground level what is the feedback for FRU2Go and other frozen foods and whether we are getting repeated orders from the retail chains like DMart and others?

Anil Jain So, on frozen foods which was launched little bit earlier than the FRU2Go. We are getting repeat business and during the summer time when mostly fresh Aamras is available people buy do not buy frozen Aamras. So, we expect around Diwali time the business to pick up in terms of seasonality going through the March and the consumer business is a new business to the company. Company is trying to build distribution, so appoint distributors and then approach the retailers on one hand and on other hand also signing agreement with as you said DMart and others in modern trade. Again there, I think we are moving from strength to strength, but still the numbers are not very big even though now the third product will be launching this year i.e. spices, which is much larger market while FRU2Go is a new concept for people to eat fruit pulp rather than drink juice, it is something which takes education, it is focused on that or even frozen pulp. So, those were kind of niche products while spice would be the first, I would say mainstream product we will be launching. So, we are still expecting, I think this year would be a year where we will generate some good numbers on our consumer goods direct sales to customers in the entire fiscal 2019 and 2020 would be really breakout year. It has taken 1-1.5 year for us to learn the more details about this business about building the marketing teams around various states in India also the distribution to go to general trade, sign the agreement with modern trade. So, we have gone through all of that and now is the time that things have started picking up. So, we are still positive and bullish about this and you will see by the end of this year some good numbers on this front.

M. Samraj So, particularly FRU2Go, you are happy with your repeat orders and market penetration, sir?

Anil Jain Personally I am never happy with the level we have I always want to grow. So, but I think acceptance of product we are quite happy. In terms of the actual number on what is called tertiary sales, right. We have received good orders from distributors we are shipping it to them. From there to retailers and from retail consumer that combination has to start and I think from next month we are starting some advertisements, etc. because once the goods are reaching to retailer shop if somebody asks for it the product has to be available and for that consumer needs to know that such a product is there. So, for next 2 months there would be an ad campaigns, etc. so, there would be more awareness of this product and then that will go hand-in-hand with growth in sales. So, I would not like to comment any more on this issue, let us wait for few quarters.

Moderator Thank you. The next question is from the line of Harsh Agarwal from Deutsche Bank. Please go ahead.

Harsh Agarwal I have a couple of questions, one was can you talk a bit about any further plans for small bolt-on acquisitions? I guess any gaps you see in the product portfolio that you might want to fill with any sort of acquisitions in the future? The second thing was more on a house keeping question. Can we get the number for your operating cash flows in the quarter? Thank you.

Anil Jain So, as I said we do not have big acquisitions like the one we did in US last year. There is nothing of that sort. There could be small ones but there would be maybe in single digit US Dollar amounts. But I cannot talk about that unless they really happen. But we have said that if we do anything like that we are still committed to creating a 500 crore free cash flow this year and bringing down the debt by certain amount. In terms of your second question on the cash flow in the current quarter, so this is the quarter where as we spoke we have increased inventory receivable, reduced payables. So, overall net cash generated from operating activity is close to minus Rs. 4 billion.

Moderator Thank you. The next question is from the line of Pavitra S from Nomura. Please go ahead.

Pavitra S So, my first question is, on the FX impact on your revenues during this quarter if you can share that? Because considering that half the revenues is outside India if you can share that number that will be helpful? And secondly what was the CAPEX spend during the quarter? Thanks.

Anil Jain The CAPEX, I can easily answer is little bit less than $10 million or Rs. 0.6 billion in the current quarter. In terms of the FX on the revenue that number can we get back to you offline because about maybe approximately around 3% but I do not have precise number in hand.

Pavitra S And the CAPEX guidance for the full year is still around Rs. 3.5 billion?

Anil Jain Yes, that stays the same.

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

Mayur Parkeria Sir, the first one is actually is more of a clarificatory, so I would I request even the operator to take note of this, this not a question. The plastic growth which you are mentioning in presentation at 25% odd for standalone and consolidated is actually if we the numbers are showing 11% and 15%, Rs. 526 crore on standalone and Rs. 592 crore on consolidated vis-à-vis previous year same quarter the numbers were Rs. 472 and Rs. 515. And these are as per the published numbers. So, the growth numbers are coming 11% and 15% instead of 20 odd percent. So, I just wanted to know where is this miss coming from?

Anil Jain I need to see that because the numbers I have for the last year, first quarter standalone India was Rs. 424 crore and this year it is Rs. 526. That is how there is 23.8% growth and consolidated plastic number last year was Rs. 467 crore which has grown to Rs. 592 registering 26.7%. So, these are the numbers I see, so unless you have or maybe there is some, I do not know change in segment or whatever. But these are the numbers I see here. Otherwise, you please write an email we can get back to you but …

Mayur Parkeria Sir, the first question actually was mainly given that the monsoon has been actually quite heavy in certain parts of the country and given that projects business we are expecting, and we are already 45 days in this quarter are you seeing any impact on the project revenue in any of the states or any of the orders which we have getting impacted during the quarter?

Anil Jain No, in fact the project it is usually 2 to 3 years, right and you do not implement much of the projects during the second quarter because you cannot go into the field or do the trenches or lay the pipeline and stuff like that and farmer crop is standing, so you cannot go into the field as well because of the timing in terms of agriculture. So, again in project business monsoon extra monsoon for 2 weeks or 4 weeks, 6 weeks does not create an impact in medium to long-term whatever is the story. Even on an annual basis mostly first quarter we did well in projects you will see now more business in third and fourth quarter.

Rohit Nagraj So, in short the growth of 85-80%-90% is even after factoring the monsoon season which is there?

Management Yes and just to clarify may be your question, earlier question, last year there was this excise duty and now this is net of GST, the new numbers. So, excise duty has also been taken off.

Rohit Nagraj So, it is net of excise duty the growth is this.

Anil Jain Yes. So, because now in the GST there is no excise tax you know everything.

Rohit Nagraj Sir, the second question is, the food business means small request here is we had a very wonderful presentation or slide on the respective segments, of we have multiple line even in Hi-Tech, in plastic, in agro in terms of fruit, vegetable, PVC pipes, PE pipes, PVC sheets then even sprinklers, drips. We had a slide which used to give us an understanding of different lines as far as the topline was concerned. If you can continue to maintain that it will be a great value add in terms of understanding that. So, that was just a small request and the question actually was given that in food, the spices business you are looking at more optimistically. Can you give us understanding how the business is structured what is the size of the business currently? What kind of the sales structure is it more B2B, B2C and how the sourcing takes place on the spices side?

Anil Jain Spice is a new business. So, last year was a year in which we have invested about Rs. 100 crore approximately into building the plant, equipment, etc. And we have started B2B business now, it is still small. In the second half we expect based on seasonality much larger amount of business. So, being the first year we are expecting business from all the three segments. This year would be more of B2B business but then also we have started selling some product into what is called Horeca market or food service market in India. And post Diwali we plan to launch product even in retail market. But again it takes few months to get things in place. So, you will see this year most of the revenue would come from B2B but from next year you will start seeing also good contribution from food service in the retail consumers for the spice business. The business in terms of production capacity has easily an ability to do somewhere Rs. 600 - 700 crore in terms of revenues. But as I said this is being the first year and then we have to start building on to that from next year onwards. So, this year already we are estimating we should be close to maybe little bit less than 100 crore during the first year. But then business should keep doubling thereafter or maybe even do better. Now in terms of sourcing we are sourcing from the local farmers most of the spices which we need which they grow but it might take another year or 2 where we will start doing contract farming. So we will provide the planting material to the farmers and start buying from them exactly what we need. Because then we can offer very unique spices to our consumers which might have for example in case of turmeric high amount of curcumin which helps you to fight cancer and so on. So, that is our next phase. In this phase, we are working with the farmers who have decided to implement good agriculture practice package in the farm and we are buying from such farmers the raw material and we have established a very significantly modern processing. I do not think there are many people in the world who would dry the spices in their factory. They do, they buy dry spices in the field which comes with all the impurities and pest and waste. We do this inside our factory, so hygiene is much better. We do all steam sterilization, so product would be of much better quality and purity. And we are really looking out to make this to be a very large business over a medium to long-term but it has just started. Thank you.

Moderator Thank you. The next question is from the line of Harshal Gandhi from JHP Securities. Please go ahead.

Harshal Gandhi Sir, what may be the key risk to our revenue and EBITDA outlook for FY19?

Anil Jain I think, in terms of revenue with the good order book we have it is mostly about the execution. The risks would be that between now and September and there is no monsoon, right that could create issues. Or risk could be that we are implementing the projects in various states and if there is announcement of the election and then few months during the election time the entire government machinery stops working. Because of the code of conduct and that could mean you have delayed revenue recognition based on that. So, except monsoon and this, to the revenue I do not see a risk. Risk to the EBITDA could be a significant change in crude prices which would impact polymer prices or significant change into emerging market currencies which might impact our overseas businesses. This is what could be possible key risk to the business.

Harshal Gandhi Sir, going ahead it is an election year. Do we expect any slowdown in order intake ahead owing to this?

Anil Jain I think; we have enough orders to ensure not only current year's growth but even next year's growth. So, we have not given any guidance that okay our order book will keep growing. It is possible that next 2 quarters order book actually as we execute the orders, order book may go down and then suddenly it might go up. So, it might be a little be patchy it is not going to remain consistent through quarters based on the external situation. But all in all there are enough orders in hand to have sustained growth at least this year and next year. And then we need to see our next few quarters. Ours is not the business where we get lot of long-term orders like we do not have a 3 year order book that kind of scenario.

Harshal Gandhi Sir what is the outlook on finance cost for FY19? Are we till sticking to the guidance of Rs. 400 crore given in the previous concall?

Anil Jain I think; we need to wait another quarter to see how it plays out because generally interest rates have risen everywhere. But we are also expecting some benefit because of the better credit rating. How exactly it will play out let us wait for some more time.

Moderator Thank you. The next question is from the line of Saket Kapoor from Kapoor and Company. Please go ahead.

Saket Kapoor Sir, firstly if you could help us with, currently our standalone numbers were flat June to June but it was the consolidated that played its mix. Sir, what was the anomality for June 2017 that did not play out for this quarter?

Anil Jain I am not getting your question. You mean which number, revenue number, profit number, what do you mean?

Saket Kapoor Yes, sir I am taking about the profit after tax. If we take these standalone numbers those are flat, comparative year-on-year. But the consolidated number are the ones where we have seen the big bump up. So, what factors went against as in June 2017 that has favored although there is better execution other than that and what has changed over the year and how good is the continuity?

Anil Jain I think, overall underlying business there is no dramatic change compared to the last year June 2017 to this year. I think, when you bifurcate between these 2 some of the other income has come related to this listed bonds. That would come under the overseas part.

Saket Kapoor That has contributed to that Rs. 60 crore part you are talking?

Anil Jain Yes.

Saket Kapoor And secondly, generally third and fourth are the big quarter in terms of the business drivers as well as the volume. So, this time also it will be back-ended the numbers will be up on the upward only back-ended or there will be an even distribution because second will be I think monsoon quarter?

Anil Jain Yes, even distribution is not possible but, I think, I do not remember now but 24% growth in the first quarter on consolidated basis possibly first time we have never seen this kind of good growth in. So, that is a big positive. Let us hope we continue with good run rate in third and fourth quarter. It might be possible that we did so much in the first quarter that second would be more subdued usually I always tell all the investors and analysts that our ratio has been 40-60, 40 first half 60 second half. Sometimes in good or bad years it can go 35% first half and 65% second half. These things happen because of seasonality. So, I think we are having done already 24 may be this time it looks 14% could be for the first half.

Saket Kapoor Sir last question sir, regarding the pledge issue sir, what percentage of our shareholding being pledged and what is your game plan in releasing those pledge? What is the timeline you have set forward?

Anil Jain As I said in the last call the pledge is about 5% to 7% and the plan at the family level is that over next 2 plus years we intend to bring it down or eliminate it significantly that is our medium term plan.

Saket Kapoor Currently we have drawn sir about the entire fund, is it only a guarantee that has been provided? Any limit we have drawn against it out of the 5% holding which we have pledged what is our drawn amount on that?

Anil Jain No, those are the funds which are drawn funds against only which we have pledged right, otherwise we will not pledge any share.

Saket Kapoor This is not in the form of any guarantee, I mean just the shares have been pledged and no money has been drawn?

Anil Jain No, there is no guarantee. We do not give any guarantee.

Moderator Thank you. The next question is from the line of Kiran Shankar Prasad from Karvy Stock Broking. Please go ahead.

Kiran Shankar Prasad First of all I would like to congratulate to you for posting such a great numbers wherein all business segments have registered significant double digit growth. But at the same time I have one query pertaining to your US based AVI IDC business. When would you expect this business to become profitable business?

Anil Jain Those are already profitable businesses.

Kiran Shankar Prasad But margin has not been so far that lucrative?

Anil Jain No margins are, that is a distribution business. So, margins cannot be very high but they are in line with where we have anticipating that they are close to about 10%, I think those margins we did achieve in this quarter.

Kiran Shankar Prasad Was it satisfactory to you 10% margin?

Anil Jain Yes, I think even when we did acquisition this is what we had said that the margins would be around these level. Of course one tries to improve them but this is where we are and I think, I mean overall we are quite happy with the way those acquisitions have turned out and we continue to work with these distributors and new acquisitions to create some even more additional long-term values. But in short-term they are in line where we expectthem to be.

Kiran Shankar Prasad So, in terms of business prospect where do you see brighter feature whether it is in international market or domestic market going forward?

Anil Jain I think generally speaking overall irrigation or infrastructure related to pipe or in case of food processing in terms of consumption, India is still quite underrepresented. So India has the opportunity to grow 5, 10, 20 years is that kind of a scenario. In overseas market, some of the markets when we operate like US or Europe these are quite developed markets. There is no new agriculture area, they are already using efficient irrigation. So, there the opportunity is mostly in replacement market plus your research and development innovation can give you a leg up to grow more than what the economy is growing. But other emerging markets like Mexico, Turkey, Brazil, China or Spain or some others such like that and Africa though give you a significant additional growth opportunity as well. So, all in all as a company we have pursued a strategy over a period of time that about half of our revenue should come from India and about half of our revenue should come from outside India because we see opportunity at both places, even though at a different level.

Kiran Shankar Prasad Sir, do you have business in China?

Anil Jain We have some amount of sales in China, yes irrigation as well as fruit business.

Kiran Shankar Prasad And you are very positive about spices business. So, where do you see, I mean whether the spices business is likely to do much better here in domestic market or I mean overseas market?

Anil Jain The focus on next couple of years would be more domestic market, except our B2B customers which are already there globally, we will focus on export market through them. But our next 2-3 years we planned to build a much larger domestic market.

Kiran Shankar Prasad Talking about agro processing business, which has grown by 39.2% this time around. So far this segment has been laggard but this time it has delivered great results. So, I mean what could be the reasons which has contributed in 39.2% growth in agro processing divisions?

Anil Jain Partly it is the one acquisition we did which has added some new revenue which we did in February. Partly we did the higher sales we have achieved in our UK and US subsidiary and also we have sold much more quantity in the current season in India and the domestic market. So, it is a combination of various markets for various products. So it is a positive thing.

Moderator Thank you. Ladies and gentlemen, this was the last question for today. I now hand the conference over to the management for their closing comments. Over to you, sir.

Anil Jain Thank you Ma'am. So as I said at the start of the call overall this quarter has gone in line with our expectation. In fact, revenue was little bit higher than what we are predicted at the start of the year. But our company will continue to face these inter quarter issues across different divisions, which unfortunately does not help the market in terms of predicting everything to the last cent and to the last decimal. Our businesses are just not like that. All I can promise and ensure that we are on a right path in terms of growth. All our businesses have short-term, medium term, long-term opportunity to grow and we have built execution, scale, technology leadership to build on to that. In terms of margins, margins are stable and should remain stable going forward based on what we know and the things as they stand today. In terms of free cash flow in the debt, debt is high then one would like to have and despite our persistent effort, we have not really brought down the net debt but the business has grown substantially during this period of time. So, on a comparative basis, debt has come down and we think we have a chance over next 2-3 years to further bring down the debt and really bring down the leverage ratios. And last year we did generate good amount of free cash flows, Rs. 2 billion and we are planning to more than double that to close to Rs. 5 billion this year. So, with all that I hope all of you have good monsoon and good holidays this week. Thank you.

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of Jain Irrigation Systems Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.
