Jain Irrigation Systems Limited
Q1 FY21 Earnings Conference Call
September 17, 2020

Moderator: Ladies and gentlemen, good day and welcome to the Jain Irrigation Systems Limited Q1 FY21 Earnings Conference Call. As a reminder, all participants' 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, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anil Jain – Vice Chairman and Managing Director of Jain Irrigation. Thank you and over to you, sir.

Anil Jain: Thank you. Good afternoon to everybody or good day, depending on which time zone you are in. We would like to thank again for attending this call of Jain Irrigation for the First Quarter for the fiscal FY '21.

We have come out with results just a couple of days ago. And as you might have noticed, the results have been negative in the current quarter. While that may be a fact but also, I think compared to where we were going into this quarter, I would say results are in certain sense quite good. The fact that we, as a company in India and overseas, could manage to produce and sell and collect almost close to Rs. 1,400 crore in a quarter where we couldn't function effectively. We almost lost entire April, especially in India. And there was a huge disruption everywhere else in the world, whether it may be Mexico, Brazil or Australia or UK or Turkey and US, etc. So despite that, I think all our people working within company, whom we call associates, have really worked hard, taken risks and continue to come, run the factories during this period, produced goods, see that they get delivered to our dealer network and ultimately serve the final customer, the farmer. So that's a quite positive part.

And that also shows that when the pandemic started and post mid-March, all the lockdowns came around, as a company, we did a lot of background preparation to ensure that we will be ready whenever lockdowns are removed. And we had the entire social distancing. We had worked around the work processes. We had installed all the sanitization stations. We had trained our people on video, on the phone and also their families on how to manage the process, what does really COVID mean, what is meant to be living in this new type of world where we cannot go back to the way we used to do things and we need to learn to readjust.

So company has spent enormous amount of time in March, in month of April to prepare the entire organization and that included our dealers, our salespeople who are in the field, all the stakeholders with whom we could deal and try and create as much as possible, as seamless as possible also supply chain so that we can start functioning.

So all those efforts which were made in March and April did give us some reasonably good results in month of May and June, where we could then produce reasonably good quantity, quality and push that in the marketplace and also collect. That's one part, which is a good thing.

Another part, which is a good thing as we see is that despite the fact that this pandemic has impacted broad sectors across economy, agriculture seems to be doing better than before. Agriculture is growing. There is more area under plantation. Monsoon has been good. So we expect the busy season, second half of the year, not in the current quarter, but third and fourth quarter, we expect better demand for the products. And as a company as we are ready to manage that demand as long as we can also get the financial part sorted in terms of the resolution, restructuring of the debt and the support from the banking system in general and also from our suppliers. Then I think we would be ready to do far better in terms of performance in second half than what we have done in the first half. So that's another positive thing. At a macro level, agriculture, food as a sector, going forward would do well, even though right now, there has been huge disruption everywhere.

The third part, which is an important part of the narrative of the June quarter and what's happening now, that despite the pandemic and all the complications related to it, we have moved forward to get various processes completed as a part of resolution and restructuring. Again, this was expected to be completed, let's say, by March or April but due to pandemic, everything has been delayed. But this time period, we have utilized.

So everything possible, which needed to be done by banks want as a part of their process, various audits, analysis, back and forth negotiations, building the whole plan properly, try and see that everybody gets equitable in terms of term lenders and the working capital lenders, the lenders in India, lenders outside India, all of that. So enormous amount of work has been done and as the resolution plan per se, it is almost complete now and ready, with everybody's inputs. And I believe we are in kind of some kind of a final lap now, where it is expected to go to the boards of the banks. And once their approvals come through, this thing would be behind us and we can look forward to future with certainty. Of course, just as a qualification, it is not done until it is done. So there is still some time. But we are engaged with everybody. The process has been quite comprehensive. And we have been engaging with the bankers at different levels within each bank.

So I think there is, I would say in my analysis, my understanding, my information, as a company, is that there is a broad buy-in of what is being proposed. And that should get concretized over next few weeks as we move forward. So that's also a positive thing, which has come out of this period of time that most of the process is closed and now we are looking at those final approvals. So that's the third thing, which is good.

The fourth part that while there was a huge amount of disruption, especially in India because we had one of the most severe lockdown compared to any other place in the world. Our overseas businesses have continued to do reasonably well. As you know, post last June or June '19, when there was a default by the parent company in India and we were downgraded by rating agencies down to D. And that impacted our ability to also use bank credit lines and it disrupted the entire underlying business model. Then it also impacted overseas businesses because the lenders there or even the suppliers there also became more cautious. We do some of the facilities, etc.

So those businesses also suffered over last 1 year despite that there were no defaults in the overseas entities, wherever they have borrowed directly, all the operating subsidiaries I'm talking about. They have had no defaults. Even though there were some issues with the covenants, but there are no financial defaults. But despite all that impact, negative image, rumors, whether company will exist or not, all of those things went around but they're doing well. They have been holding well. They have proved their resilience. They have continued to produce. They have continued to manage to see that operations are well run and they continue to serve the customers. And despite all the disruptions which are there, the overseas subsidiary revenue is down but maybe it's down about 7% to 8% during this entire quarter and when you look at the type of disruptions we had faced, I would say what they have done is really good performance in that way.

So India, because you lost almost more than 30-35 days, there is significant reduction in revenue. Now that revenue reduction and the first half is kind of compromised because of all what's happening with pandemic and the rainy season now. But as I said, we are hopeful that second part would be better.

One cause of concern continues is the finances of the various governments, state governments, especially. I think they have been compromised further during this period because of their focus on COVID, the fact that they are not getting enough out of the GST, etc. I think all of you are aware of it.

And as of now, we have no full clarity how soon all the old receivables will come through. But the resolution plan, which we have prepared along with the lenders, we had kind of anticipated this kind of scenario, so the plan gives us some leeway that most of the receivables can come over next couple of years. And I think there is adequate time to see that all those things will come back, all those cash flows and we will be fully successful in ensuring the resolution plan will come through. And there are multiple cushions we have built into this resolution plan to ensure that it will fully succeed through the negotiations, which we have conducted along with our advisers and what you call the bankers, lenders and so on.

The another two important points I would like to make before I talk a little bit about numbers because I think numbers are numbers. I mean the results are out there. So there is a loss and all of us know that. But I think this last 4 to 6 months has also allowed opportunity to the management to think through more deeply about how we manage the business, how do we do the sales organization. And on one hand, we have merged the pipe and drip sales organization to create a far more potent force in marketplace to go and talk to customers, revive our dealers, whom we couldn't service over last 1 year. And I think that is going to be a very important part going forward, which will play in our success.

The second thing which we are doing and that is still an ongoing process, that because we had a rural dealer network and the whole process, it was not that much digital or online, let us put it this way. So we are in process of rolling out that kind of a digital architecture. We are working with a couple of large software companies to build kind of a new platform, so that we create that seamless supply chain with our customer base, the dealers and also improve our service levels, reduce the administrative cost of managing the sales and also reach out directly to the customer, the farmers and we have been dealing with millions and millions of farmers. But we never built a formal database of those farmers. So we are in getting a lot of those things done. So I think over next couple of quarters, all of that will get rolled out. And there would be a kind of a very new and a different more vibrant, more real-time connected sales org in marketplace as far as company is concerned. So that's what also is being done. So I think that would go a long way in further improving our ability to sell and collect.

Now as a part of this, while on one hand, we are rolling out these new measures to try and improved connect to the market in real time and reduce the cost also where feasible, we are changing our business cycle in terms of the amount of credit which we provide to the marketplace, looking at our own needs and that we must collect cash faster. That's one single basic principle, then only we can get out of the kind of difficult situation we have been there in last 12 months. And some of the efforts which we have earlier made, earlier we used to depend on the government subsidy and whatever may happen with the subsidy, but at least now we are able to collect everything from our dealers, except in a couple of states where you still have to deal with the government because that's the only way you can do it. So that was in the first step. But now we are also reducing the credit to the dealers, but at the same time offering them more incentives, much better faster service.

So I think that way, it should pay for itself, so the idea is that you continue to do or improve your sales and your revenue, but improve the cash flow at the same time and reduce the cost. So that is being done as we speak, in a softer way because in terms of hard capacity, we have a large amount of products and capacity. We have the best products in the industry. Our R&D is quite ahead. So we can launch new products and so on.

So those are the given things. That is the strength, commitment of our people who have been with us despite the delay in salaries. They have shown their loyalty, commitment. They continue to work because they are committed to the cause of why this company exists. So that has been a big plus, the commitment from our associates. But these other things now with work which we are doing, we are getting more commitment from the marketplace with the dealers, etc. And then with a better cash flow, I think as we start paying our suppliers on time and other things, that stakeholder also then come on to the Board.

And as we get the resolution plan done and start honoring obligation to our lenders, they are important stakeholder; they also come fully on to the Board. And as the bankers and the suppliers and the dealers and customers and our own people who are working within the company, all of them get aligned and that's what work which we have been trying to do over last few quarters, I think, ultimately, we will start generating good value for shareholders, which is the main stakeholder. They own the company there. So that's the logic. That's the thought process. That's where we are.

Now in terms of value creation, while we are doing all of these things in the marketplace, into the workplace, we are also trying and recently, you might have seen and heard that we have changed structure of the Board. We have got some additional people to come into the Board who are bringing different perspectives. We have had a lot of deliberations at the Board. We are strengthening our risk committee of the Board, the government committee of the Board and we want to see that those committees also will actively work to guide management to see that we never get into this kind of situation again. So as per wisdom of the Board, with the help of third independent parties, they would be helping us on one, on the risk management, so that the business model which will function going forward will ensure sustainability in every sense and everywhere. And the government would allow us to see that all our obligations to all stakeholders; we do in a seamless, flawless way, timely manner, etc., so that's another focus.

So at the Board level, at operating management level, at field level, on a shop floor, we are continuously fully engaged, continuously working. Even though the fact that Jalgaon, where our headquarters are, has been quite affected by pandemic, almost more than 40,000 cases in our district. So that does get impacted too. we have almost more than 7,000-8,000 people working for us. So they, their families, our suppliers, the whole ecosystem does get affected when we have such level of pandemic. We are working through that during this period and still trying to do some of the fundamental changes within the organization, some of the operational changes to make ourselves more efficient and then effective. So that work will continue to go on and as I said, as we do all these things and parallelly the work on the resolution and restructuring is going on. Once all of this is in place, I think, over next few weeks, few months, thereafter I think one can start seeing possibly a more stable revenue and earning flow and eventually start generating free cash.

Even this current quarter, June quarter even though it was a difficult quarter, we could generate some amount of free cash from the operating cash flow post working capital changes. So that was a good thing that even such a difficult quarter, we could generate cash flow after operations and after working capital changes also.

So that's where we are right now. And when we just quickly look at individual businesses, in case of MIS in India, micro-irrigation was, what you call, Hi-tech division with the tissue culture. The revenue was almost down about 40%. Plastic was down 46%. So overall, India was down about 43% during this particular quarter. Part of the reduction is, last year we had a lot of project sales. And because everything was closed during this period, we haven't had any invoicing related to the project sales. So if you see 43% reduction, almost, I would say, 20% of that reduction out of 43% is linked to not doing any project billing. And remaining 20% reduction is in fact, the fact that we couldn't operate in month of April. So if you exclude those two parts, I think when you look at the sales, they seem to be almost similar to what we were last year. So that is quite positive considering all the circumstances. When we had this level of lower sales quantities, I think we're down by about 30% or so during this period of time. So we could go into the market, get right type of materials and push products to the customers.

Now when we also look at in terms of the consol basis because our overseas businesses, they reasonably did well. The Hi-tech while in India is down 40% but on consol basis, it is down only 15%. That means overseas, we have done better. Plastic, mostly local business, so consol basis, we are minus 46%. And food is approximately minus 33% as an overall business because part of the food business got impacted, especially in India on one hand because of the fact that we sell large amount of mango pulp and people were not out of their homes to go and drink the juices, etc., on one hand. On other hand, we also had a huge impact because the availability of mangos was very limited. Farmers couldn't bring mangoes up to the factories. And in the factories, under the pandemic rules, we couldn't have a lot of labor because a lot of labor which is specialized in like cutting mangoes and things like that had already gone to north. And so the factories were run at less than 50% capacity. And on the top of it, raw material itself was not available and the prices were highest ever. I mean, since we are in this business, '98, the prices for mango in this season were highest I've seen since '98.

So raw material inflation, lack of availability and lack of labor and the new pandemic rules in managing the operations resulted into a significant challenge to the food company in terms of managing this in this quarter. And the demand flow from our customers, where most of our things like mango pulp or dried onion etc., they go into big brands like Maaza or Maggi or whatever else. And those brand consumption was also impacted in marketplace because of lockdown. And it had some impact also on us.

So overall, 27% approximately negative in terms of revenue, in terms of the quarter. And considering all of that, it's reasonably okay. In terms of overall when you look at gross, as I said, while India was down almost 43% or so, overseas operations were hardly down, operating subsidiaries were hardly down about less than 8% despite the disruption. So that's again the positive scenario.

Now in terms of as we see what's happening in the current quarter or the second quarter is that it's a rainy season. So in India, we would still be severely impacted at lower sales. And the sales in second quarter are expected to be lower than Quarter 1 because of the rainy season. And that's traditional for us is, second quarter is the lowest quarter among the four quarters. But in our overseas markets, I think we continue to do well because they don't have India-type of monsoon season.

So I think a reasonable, stable, consistent revenue will emerge from those markets around the world. While India would still be a very weak quarter because that's traditionally that is the way. And we hope as we move into October, post Diwali, situation should improve in terms of what we are looking forward to in terms of what is happening.

In terms of when we look at what is happening and a sense about the marketplace, monsoons have been good and this should auger well for general demand from the farmers. I only hope that because farmers are going to produce more, kharif sowing was quite high that they should get good price for their end produce. Because otherwise, they bring all these goods at the same time to the marketplace and then prices crash and that creates this new negative cycle. So we hope there are enough mechanism for the market to be dynamic to absorb that kind of additional supply and what role the government is going to play in trying to manage that supply equilibrium and to see that farmers would get adequate returns in their pocket, which would encourage them to invest into buying things like drip irrigation, etc.

So that I think, is also an important part of how things will turn out going forward. But again we see that unlike urban India, there is still a good amount of vibrancy into rural parts of India. This pandemic is slowly but surely, is growing into rural India. It is impacting and affecting a lot of things. But somewhere, we get a sense that people are seeing that, that look, this is something which is going to stay with us and depending on when the vaccine comes. But let's get on with our lives. At least all the people who are connected in our ecosystem, we are continuously advising and cautioning them that while that's also same philosophy we have that we must move forward while addressing the issues but we should remain cautious. We must take all the precautions and ensure that we do not suffer in terms of health and safety, ourselves as well as our family members.

So that constant messaging and we are creating tools to help our people so that they can continue to function, whether from home, offices or factories or at the customer place but not compromise their health and safety and continue to play important role as country when we come out of this pandemic as soon as possible. So that's a challenge, but that is how it is going on.

In terms of the order book, we continue to have about Rs. 4,200 crore of orders in hand. Some of those are existing projects but we are not implementing those orders now because we need to ensure the state governments have the necessary financing with them. Then we can go ahead and do complete the remaining milestones, etc. So we are working, talking and negotiating with the individual project authorities to create a basic framework, where we put in additional investments in terms of supplying additional goods or getting the work done, but we want to ensure that we do get paid for that and then that's how we go ahead and complete the projects, so that we will continue to. Out of Rs. 4,200 crore of orders, almost close to Rs. 2,600 crore is in the main Jain Irrigation plastic business drip and pipe and the remainder of orders are in food business as well as our overseas subs.

During this period, if you see compared to the earlier period, as I look at the complete balance sheet on a consol basis, one can see that compared to the March quarter, we have slightly reduced our inventories by about 3% and we have reduced our receivables by about 7% compared to March. And if you look at the same period last June, our inventories are down almost by 15%. So last year, they were about Rs. 26 billion at this time and this year, they're at about Rs. 22 billion. And receivables, which were close to Rs. 31 billion are now down to about Rs. 26 billion.

So if you see over last 12 months, both inventory and receivables are approximately down 15% each. That's not good enough. I think we need to continue to do more. And I think you will start seeing again, these things, post pandemic, post some stabilization, you will see this over next few quarters. But we are in the right direction, even though not at the right speed because of all the issues which are there.

In terms of earnings and EBITDA, I mean, this was not a greatest quarter but there are a lot of issues which you are figuring out. So I think the idea during this quarter was to like I would not say stay alive but continue to function, do as best you can in terms of churning the revenue, reaching out to customer, maintain the dealers, reach out to the customer, run the factories in efficient way, but in a safe way. And meanwhile, rebuild the org entire structure and governance structure, so that as things stabilize, then we can start doing better also even earnings. And the focus in the quarter was the cash flow to reduce partly receivables, partly inventory and create that cash flow. That is what I think we have succeeded over last 12 months and there were no other big surprises, except the fact that as we have gone along, between March quarter and June quarter, we have taken some noncash hits to the balance sheet by doing some prudent provisioning on the receivable side or inventory side so that overall, we do reflect the ongoing scene of the delays due to the COVID and disruption. And that is being done in consultation to our advisers as well as lenders and the auditors, so that we reflect the true state of affairs as things stand of the company for all our stakeholders. So while this provisioning, etc., which has been done, shows higher net loss, but I think that's the prudent thing to do and that's what we have done. But that was not necessarily cash loss in that context.

Now in terms of overall, I would say, other factors which impact the business, the polymer prices had come down in the June quarter. It did benefit us to an extent. Since then, as the oil has also gone up, right? That time, it had gone less than $30 or wherever. It is back to $40-$45 now. Also in India because of difficulty, there are less imports, so local raw material prices have gone up because of demand/supply. And as the economy opens up, there is more demand and less supply right now. So prices have been rising to an extent.

Overall, when you look at whole year, I think they would even out and we should have a stable scenario in terms of polymers availability and prices going forward. And I think we will have ability to pass the increases to the customer base if the prices really go up quite a lot, which it seems that worldwide economies are still not on full scale, so we don't expect drastic change. And in fact, over last couple of weeks, oil is kind of slowing down and is not really going up. And in fact, Exxon came up with some statement or I think BP that they expect oil era is kind of over or is going to be less vibrant going forward. So generally speaking, as far as polymers are concerned, which are derivatives of the oil, we expect things to be reasonable and availability to remain good.

In terms of overall debt, there is not much change in the debt figure compared to the March quarter. Our net debt continues to about Rs. 65 billion, as it was in March, it is in the June. The cash in hand has gone up from Rs. 2.5 billion to about Rs. 3.5 billion during this period. And I think the meaningful change in this number related to debt would happen, I think, over a period of time. It won't happen immediately. So our job right now is to maintain where we are to see that debt does not really go up and from where we are today, try and improvise through improving operations. And once things get stabilized, look at some opportunities of value monetization to reduce the debt and that's our plan there in terms of overall debt, which is there.

In terms of people, number of people, etc., I think a similar level; there is not a big change in India. But in overseas, in certain plants, in certain countries, we have definitely done a good amount of optimization there. In India, we are doing optimization, but that is not impacting all the people who are on company's payroll today. And we are trying to work out arrangements, right, where all these people who have been committed to the company, working for the company, working hard and there we own their lives to the company. While the whole thing is so difficult, but for the 6 months or 9 months of difficulty, we cannot break those lifelong relationships because they continue to contribute. And we have confidence that as these things happen over next few months, company would come back strong and we would need all the hands we have to be able to function and we want to honor the relationship we have with these associates.

So most of them are with us between 20 to 30 years, giving their lives to build what we have become today. When we started, we were a Rs. 2 crore or 3 crore company. And today, we are a Rs. 6,000 crore or 7,000 crore company. It's unfortunate that we have lost a lot of money in '20. But in '19, we were profitable. And these are the people or these are the associates who made that happen. And I think we owe a certain amount of debt and gratitude to them and we want to ensure that within the realms of the reasonableness and the fact that we have business and businesses have to run for profit, we understand that.

But we think as we have obligation to all the stakeholders that there has been a lot of this debate when the government has asked you to lockdown the business, you are still supposed to pay interest to the bankers. But you can't just say that, "Okay, I'll stop salary, but keep paying interest or I will do X, but I will not do Y." We need to find a right way or a balance between all the stakeholders because there is a short-term scenario and there is a medium to long-term scenario. And in medium to long term, our current capacity utilization is quite low, 30%, 40%. So I think there is an underlying demand growth possible, which we can go and execute as long as we can do that on a surplus cash basis. That's our focus going forward. And we want to ensure that we do it in a right way, in a human way and do it so that, again, we have next decade or two decades of positive sustained growth and good returns to all stakeholders. So that is our focus as we speak.

And in terms of my presentation, I think these were the issues I wanted to overall cover and share with all of you. Now because the fact that India has not done that well and overseas businesses are doing much better, so if you look at consol revenues this quarter, I think India, we did 39% and 61% came from rest of the world. And if you look at on a consol basis, 58% of revenues came from Hi-tech division, which includes micro-irrigation tissue culture. While Plastics was at 18%, Agro Processing was at 23%. So that's the breakup of the consol business.

And when you look at stand-alone India business, whatever we achieved during this quarter, 91% was domestic market and 9% was exports from India. So that's where we are. And when we think of the breakup in India of the business, I think 57% was a Hi-tech business and 42% was the Plastic business and food being part of a subsidiary, it gets captured in consolidated but does not get captured here.

In terms of overall working capital, as I said, that the inventory receivables did come down, but the days outstanding against sales have gone up because sales have come down quite a lot. So it's more of a statistic there out there. Our effort going forward is going to continue to improvise on both inventory and receivers.

So as a company, we are not taking new CAPEX projects or any big commitments. We haven't tendered into the new government projects for a long period of time. We want to ensure that we remain focused and disciplined in completing existing projects, getting all the overdue receivables back in our hand and then rebuild the private network of our dealers across the country to improve more of a cash and carry type of sales to change our underlying business model. And then also build the capability and capacity to supply into the projects, where we may not be directly there. But on a secured basis, if we can make the supplies, working with few other companies or partners then we would look forward to that so that we are not out of a market or we don't lose opportunity. So that would remain overall our focus.

There is not much to talk about foreign currency; in a sense that the rupee has been stable. End of March and end of June, rupee remained around Rs. 75. Right now, it has come up to Rs. 73. But at least during -- for the reporting period, there was not big change. So that hasn't had any big impact, except in some of our overseas markets, there are so many different currencies from Mexico to Brazil to Turkey or China. There are some amount, I would say, impact there in the overseas businesses. But for India business, there was not much of an impact in that.

Last piece in terms of public information, there was a default in February on our repayment to the bond and for the bond interest. And then next one was in August because there were two biannual payments. And so we have not been able to honor those obligations. And that is also partly because Indian lenders also want to see that as they are doing the resolution and restructuring, that we should also get the bonds restructured and get it resolved so that everything moves smooth on a global basis.

And we have been working with the bondholders. We have engaged right now with almost bondholders who hold more than 75% of the bonds. And we are quite closely engaged, I would say, along with the help of our advisers, in Singapore, in

London and so on. And those talks are progressing. And we expect that almost by the time we finish the restructuring resolution in India, by that time, we would also expect to get the agreement with the bondholders also shall be in place by that time, so that as a global company, thereafter, we would be able to move forward with clarity, with certainty and rebuild the organization to create more sustainable prosperity for all stakeholders. So that's on the bond and that's also moving positively. That was one last piece of information.

So I think with that, I will stop speaking now. So that I tried to provide as much I can in terms of information, considering the sensitive situation of some of these negotiations. I won't be able to answer very specific questions related to restructuring, etc. because that's an ongoing issue, a confidential issue and so many lenders are involved and some of it is quite sensitive. So you may please excuse me, if we are unable to answer those questions. But on the rest of the normal business, if anything has been missed from my talk, I would be happy, I can take a few questions right now. But other alternatively, if you could e-mail to us, we will respond to you as soon as possible.

With that, I would like to again thank for your patience. We view you as important part of our stakeholders, as shareholders. And as we move forward over next few months and quarters, we look forward to give better news of the progress which we're making and all the initiatives we are undertaking to try and ensure that Jain Irrigation is able to truly deliver what it is meant for. Thank you again.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Monica Kapoor, who's an individual shareholder.

Monica Kapoor: I have a question about the quantum of asset sales, which is being planned by the management. So if you could shed some light on how much you plan to disinvest? And the second question is about the debt restructuring. I know you've said that you don't want to speak too much about this. But the question is very simple that still majority of the total debt is in foreign currency, so when we are talking about restructuring, are we also talking about foreign banks being involved in the process? And what would be the estimated interest outgo on an annual basis, what can we expect after that?

Anil Jain: In terms of disinvestment, all the efforts which we are making, whether you call it disinvestment, value monetization, getting new equity, those got compromised due to the pandemic because the due diligence couldn't be continued, people couldn't travel to the plants and so on. I think we will restart those efforts in a quarter or two.

Also, people who want to come in and participate or invest have been eagerly waiting to see that the restructuring goes behind us, which would then help them. And then they know that the underlying businesses are stable and they can invest into those. So I think we have to wait a little bit to get more concrete ideas on that.

On the restructuring and resolution, the total debt on fund-based in India is about Rs. 3,400 crore, stand-alone India balance sheet. That includes the dollar currency loans as well as the rupee loans. And all the lenders are involved in this restructuring process, overseas, local, everybody whoever has lent on the India balance sheet are fully involved into the entire process. All the lenders are involved.

And also, if you look at in the overall debt scenario, some of overseas debt, like I discussed bonds, bonds are more than $200 million. So in that sense, when you look at total Rs. 6,500 crore of debt, which I talked about, between the India debt balance sheet and the bond that itself is Rs. 5,000 crore. So Rs. 5,000 crore debt is already under discussion to get restructured, resolved and re-agreed upon. So that's a significant amount, almost, I think, a little bit close to 75%. And the remainder of debt is some update is with the local subsidiaries. And those are doing reasonably okay. So there's no restructuring going on there. So those are the two answers.

And the third part, you asked how much impact it would be on the interest. That depends on the final contour in terms of the bank saying that X amount of debt will become unsustainable. On that amount of the debt, we would have almost negligible interest. And even the sustainable debt would have lower interest than the current interest. So we think there would be a significant benefit of interest going forward, but we can talk about those numbers only after this gets done over next couple of months.

Moderator: The next question is from the line of Pawan Yadav, who's an individual investor.

Pawan Yadav: Just two questions I have. One is that if you can give me a broader sense on what could be the expected interest amount that will be returned back to the books once the debt resolution plan is approved, even a ballpark figure, in case that is all right for you to share? That is one question. The other question is that of the Rs. 4,200 crore worth of the project that you're working upon, how much from that Rs. 4,200 crore the cash flow is expected this year and the next year in case if you can throw some light on these two things?

Anil Jain: So the first question on the interest. So I can tell you the principle. I cannot talk about the numbers. The principle in the resolution plan is that from June '19 onwards up to March '21, so coming March for this period of 21 months, whatever interest kind of gets debited will get converted into FITL. So that's one part of it. So that's one. And you can see the interest, we are accruing in our books, as if it is full interest every quarter.

The second subset part of it; part of the debt which become unsustainable, whatever is interest has been accrued on that, that will get reversed. So that depends on the final number, which we cannot talk right now. So there are going to be two things: partly the entire interest during this period will get reversed and will move to the FITL and partly interest would actually get reversed in terms of that it will not be there because it is unsustainable, interest on unsustainable debt. So we have to just wait for a couple of more months to get the final details figured out.

And also, it's not some of these calculations, discussions are ongoing. And when you freeze it, that day, you do all the reverse calculation. Also, it is the similar system as in the bank because on an ongoing basis, everybody just debits. But sometimes when account is NPA, some banks don't even debit the interest. So it's a little bit of mix and match there. So no clear numbers are available as we speak. But those would be done on effective days, right, when you sign the restructuring.

Pawan Yadav: All right. Just as a second question which I have was that the projects worth Rs. 4,200 crore that you have currently, how much is the cash flow from that is expected this year and next year?

Anil Jain: So Rs. 4,200 crore is the total order book we have. So order book consists of, as I said, some of the orders are outside India into overseas. Some of the orders are in our food business. These are the normal customers. Some of the other orders are linked to our traditional dealers, so all of that cash flow should happen during the year. The orders which are linked to the project business, either in drip irrigation or pipe, especially in India, so when you look at that part or the project part, so the JISL stand-alone, where we do plastic entry business, the total order, I talked about, were Rs. 26 billion or 2,600 crore. Out of this Rs. 2,600 crore, then almost, I think, I would say, Rs. 2,300 crore or so would be the project-related, Rs. 2,200-2,300 crore will be project-related orders. So not the entire Rs. 4,200 crore is project, project is, let's say, half of that. Out of that Rs. 2,100 crore, depending on how soon we can start functioning in various states at the project, we will be able to say, okay, at least Rs. 300-400 crore will come in the current year and the remainder will come year after because some of these projects you have to complete over 2 or 3 years. And due to the COVID, there has been the delay also. So we plan to complete all projects and see that the funds come in. The total time period available, I believe, is almost about 13 months from now or 2.5 years.

Moderator: The next question is from the line of Parag Khare from TCS.

Parag Khare: I don't know if you're allowed to speak on that debt resolution plan is going on and you cannot discuss too much on that, which is fair enough. But sir, my question is post debt resolution plan, we may need a decent amount of working capital to revise the operation, to kick start the business. Roughly, we used to borrow Rs. 400-500 crore in the first half of the year for the last 4-5 years. And that used to be like a fuel to our business. Post debt resolution from where this working capital will come? Do we have cash on the balance sheet or lenders would issue a fresh loan line, the credit line? Just curious to understand where the working capital will come from post debt resolution plan?

Anil Jain: Yes. Sorry I lost you there. I got disconnected from the line.

Parag Kare: I'll repeat the question, sir. I was curious to know where the working capital will come from for the post resolution plan. We may need a decent amount of working capital to revise the business and kick start the business operation. So will the bankers be issuing the fresh credit line post debt resolution plan? Or we have the additional cash on the balance sheet?

Anil Jain: I think as you can see in the cash and bank, there is a Rs. 350 crore of cash on the balance sheet, globally speaking. That's one. Second, under the restructuring, there are going to be certain new facilities given by the banks, like letter of credit, etc., which would allow us to use those to buy raw material. And of course, recovery of the old receivables, which have been pending for long time that would also come into the working capital. And fourth would be, as I said, under the new model, we would be expecting our dealers also to put money in advance for the products we supply. So it's going to be a combination of these three or four things.

Parag Kare: Second question is, I know the value monetization plan has gone on hold because of the overall economic scenario across the world. But there was one of the option on the table for the IPO of our food, the agro division. And I know we are still far, far away from the full utilization and the full capacity and whatever offerings we can do, we can do much better than that. But any discussions on the table at the Board level or at the senior management level about the IPO, maybe next fiscal year, maybe around 12 to 18 months from now, anything happening on that?

Anil Jain: I think right now, the focus, whether at Board level or management level, is threefold, right? One, continue to maintain operations and, as soon as possible, turn the business to be profitable. That's the first objective. The second objective is, get all the current restructuring on the debt side, fully completed. Because I think once that gets done, there will be certainty about the future and that's where the valuation, the investor will come in. And by then, we hope that when vaccine comes in, pandemic story is a little bit behind us and that can also give more clarity to customers. And currently, even food business has been quite a lot disrupted, right, because of lack of availability of mangoes, onions or very high prices. Onions were at Rs. 100 last season and so on. So I think the time for that would come maybe at the start of the next fiscal year, one can start thinking about that and do it in a proper way. But right now, the focus is to run operations, bring profitability and get all this Rs. 5,000 crore worth of debt resolution get it in place.

Moderator: The next question is from Ankit Bansal, who's an individual investor.

Ankit Bansal: I just wanted to ask you about your numbers that I am watching your company as an investor or shareholder and from approx 1-1.5 years the country is doing well in the micro-irrigation and growing it all over India. But in spite of that the projects are not delivered, your numbers are also not reflecting that. I have full faith in your company as it is the second largest micro-irrigation company. But still Jain Irrigation seems to be far behind in all this. I just want to know about this all. I don't have to do anything with business anymore. As an investor I just want this confidence from you. Would you like to share something about this?

Anil Jain: You are right. We have a feeling that our company Jain Irrigation has potential, capacity and capability and has a brand in market and the underlying demand in market, all the four things which are there, the company is not performing according to all that. So the performance if you see especially since last four quarters from last June to this June is impacted a lot. Initially it was due to the liquidity as we could not get the Rs. 1,500 crore on time from the government. That's why we were affected. After that because of this pandemic the last 6 months everything is disrupted. But despite of all this we are focused. You can go back one year and see our company in the year of March '19; our company was doing quite well, revenue and sale was also good. We had the profit of Rs. 250-300 crore in that year. So '20 has been bad till now, '21 will also be difficult and challenging. But we are taking lot of efforts as a management and we have a support of all the stakeholders like you. You will see that next year assuming the pandemic situation normalizes and the restructuring will be get done then in FY'22 you can see that our company will be run in better manner, it will have good market share and overall profitability will also be good. We are taking efforts in that sense. I think we are focused and that only I shared with all of you for an hour that which steps we are taking for this.

Moderator: The next question is from Manish Kumar from Reorg.

Manish Kumar: Just a very small question since you've already answered a lot of questions related to debt resolution. Has the company been able to acquire this RD for rating, which is required for the debt resolution?

Anil Jain: That process is ongoing right now. I think we are in final stages and that discussion is ongoing between rating agency and the lenders.

Manish Kumar: A small bit of question since you said that along with the onshore, once the resolution plan is finalized, around that time, the bond holders will also be settled. So is there any indicative timeline you can suggest by when you see the resolution coming through?

Anil Jain: I think over next few months, we hope it is earlier than later because a lot of work has happened. We're really in the final lap. But again, individual boards of individual banks, we have more than, I think 20 lenders here and large amount of the bondholders here. I think in case of few bondholders have a large amount of holding. So it should be comparatively easier. And they are institutional holders and the banks in India have to really go through different committees before it goes to their Board, etc.

So I cannot put any deadline. But I think my estimation is in next 2 to 3 months outside, hopefully, everything gets done. But again, that's our estimation. It is subject to individual lenders and the process. As you know, the resolution goes through when 60% of the numbers of the lenders and 75% of the value by lenders approve that. So we hope it is earlier than later because there is a lot of buying. There's a lot of support from most of the lenders. They believe in the future of this company, they know. They've gone through all the testing and auditing. They know everything is good with the company. There is a genuine business problem. Company is trying to address that. And so let's hope for the best and let's hope that it gets done as soon as possible.

Moderator: We'll have to take that as the last question. I would now like to hand the conference back to the management team for closing comments.

Anil Jain: Again, thank you, everybody for listening in and thank you for your patience, or thank you for your faith into the company, as investors and as market players. And we look forward to continuing our dialogue and look forward to sharing the progress with you of how we rebuild the company in every possible way. Thank you, again.

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