"Jain Irrigation Systems Limited
Investor Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Jain Irrigation Investors conference call, hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. I would hand the conference over to Mr. Prashant Tarwadi from Axis Capital. Thank you and over to you Sir!

Prashant Tarwadi: Good afternoon to you all. On behalf of Axis Capital, I welcome all participants on the Conference Call of Jain Irrigation System Limited. Today we have with us Mr. Anil Jain, Managing Director and CEO, Mr. Manoj Lodha, CFO and Mr. Darshan Surana, Vice President Finance and Investor Relationship. We will start with the overview of the Company's performance during the quarter and key event and then we switched to question and answer session. Thank you and over to you Jain Sir!

Anil B. Jain: Welcome all the participants and let me start with thing Shubh Deepavali to all of you. We are discussing the results, which our board approved yesterday. Overall, the results are as per our expectation and we had already talked at the last concall and earlier that second quarter was expected to be weak and overall first half is going to be weaker than normal. In fact we have come out fairly okay, if you look at the total business already conducted by the company in the first six months on consolidated basis, we have done Rs.2980 Crores, registering about 3.3% growth on the first half basis.

Our overall EBITDA for the first six months is already touched about Rs.400 Crores for the entire company and if we look at a typical first half, second half scenario we tend to make far more earnings as well as revenue in the second half, so it is all moving up as we had projected at the start of the year even though this particular quarter was very challenging for all the agri companies, agri business companies due to poor monsoon and deficient monsoon in certain areas, which all of your are fairly aware of.

Coming back to specifics of this quarter, I think in terms of positives, the pipe business has continued to do very well. It grew almost 26% this quarter and this is on back of two earlier quarters, June and March quarter, also where pipe division had done very well, so that momentum continues, most of this momentum is due to the infrastructure related orders. The pipes which results to the farmers in rural areas that is doing just okay, but this infrastructure orders are still there and we also believe the same holds true for the second half where it can be further improve and in fact we have on the infrastructure-related side already more than Rs.150 Crores of orders for the pipe, which needs to be executed between now and March, so that is a quite a positive thing for the piping division, continued low raw material prices on the pipe side assuming oil remains where it is will also help us in terms of margins.

The second division, which has done well this quarter, is the food division where we have grown 16.7% as a combination between the onion and fruit division and within that in fact fruit has done better. Onion did not do that well because again the availability of onion was limited during the season due to untimely rains in the earlier part of the year and price was also very high and therefore, onion business was in fact 38% less this quarter, but we made up far more than that into the fruit in domestic as well as export with fruit growing by more than 56%, so combined entity of the food has managed 16.7% growth and if we really look at our exports have also increased in fruit, they grew from last year Rs.64 Crores to this year Rs.90 Crores, so we are getting good traction into overseas market and even domestically this particular quarter food business unlike the first quarter where the offtake of the domestic players was weak grew from Rs.21 Crores to Rs.42 Crores, so there is good momentum on that side and last year overall food business grew by more than 20%.

We have targeted that current year on a global console basis we should also maintain very high growth rate and I think we are tracking that. Our overseas food business are also doing well and growing as we have planned. The micro irrigation business and we always talk about different parts of micro irrigation business, the retail business and then the project business and export business, so the retail business this particular quarter grew 7% and within that we had almost Maharashtra, Andhra, Tamil Nadu and then MP, Chhattisgarh, these states which are major states have continue to remain positive.

We were not that positive in Karnataka and Gujarat, but overall other states where we have more positive especially the states which I mentioned earlier has resulted into retail business growing 7% and this was contrary to expectation looking at the bad monsoon, I think it has worked out well for us.

In terms of the project business and project business can be lumpy at a time and on a given quarter you might not get sometimes projects in place and therefore there was reduction in project business of almost 70% and exports was less by another 14%, so reduced project business and reduced exports has made overall micro irrigation business in this particular quarter minus 19% even though in the first quarter again overall we were okay, so we think going forward we should maintain growth because projects will come back.

We already got a very large order last week for the solar water pumps, which are part of our micro irrigation division from the Maharashtra Government and it is a significant order, it is one of the largest ever order placed for solar water pump anywhere in the world and the order size is Rs.473 Crores and we are supposed to complete that order in next six to twelve months. We would already start shipping some product within next 30 to 45 days, so you would not see much in this quarter, but last quarter some good amount of that order will be there and there are other orders, which are in place or under negotiation are where we already L1 in some tenders, all of that will get captured and therefore we believe the shortfall which we had this quarter on the projects, which will get covered and therefore end result will be that once we get back projects on line and results shall be that we should maintain double digit growth rates for the whole year in FY 2016 for the micro irrigation business, so these are the primarily three largest businesses we have, too smaller businesses which are there.

Tissue culture continues to do very well, it is a very profitable business and it also clocked another 37% of the growth this year. The solar division where we do products like solar water heating system, solar street lights and hand pumps, which gets used for drinking water that registered a nominal growth of another 8.5%. So all in all except the project business and exports of MIS everything has done what would have expected it to happen and our overall revenue came down to about standalone basis Rs.860 Crores registering 1.5% growth, but we had somewhat higher growth in our overseas entities, so the combined quarter has moved from Rs.1293 Crores last year to Rs.1345 Crores this year registering approximately 4% growth, this is after netting any intercompany sales or the arrangement there may be, within that in terms of overseas business our irrigation business in US that has done well.

Our food business in US also has done well. Some of the businesses like our international irrigation business apart from US, some places like Brazil and other countries we grew very well in terms of local currency sales, some places like Brazil we registered even 15% growth, but when translated back to the dollar currency and other currencies because of the sharp depreciation of those currency, it shows certain amount of negative growth, but in terms of physical volume sold as well as in the local currencies we had positive growth, so it seems that there continues to be good demand for our irrigation and food products around the world and we should continue to do well in that context.

The total order book company has now is about Rs.1300 Crores and as you know micro irrigation business as well as piping business we do not get too many prior orders, all these orders come through the dealer, so they come literally on a daily basis, but food is the business where we do long term contract and food orders we already have in hand are closed to about Rs.460 Crores. Some project orders, which are already in micro irrigation those are about Rs.600 odd Crores and I already talked about the pipe orders earlier, so it seems second half overall looks good for us.

Coming to the balance sheet and margins overall 2Q margins came out almost similar to the last year, last year we had 15.8%, this year it is 15.9%, if you look at the entire half there is a slight growth, last year our margins were 15.6% and now they have worked out to about 16.1% for entire first half in terms of EBITDA margin.

MIS margins are within our band of around 20%. Piping has improved compared to the earlier period overall by 1%, 1.5%. Plastic sheet business which is smaller business has actually significantly improved its margin from, it used to get about 4%, we have moved this quarter about 8% to 9%.

Agro margins have remained almost flat compared to the similar period in this quarter. All in all if we look at overall EBITDA it came to Rs.136 Crores as against last year Rs.134 Crores and for the consolidated entire division worldwide EBITDA came at about Rs.170 Crores as against Rs.169 Crores and as I alluded earlier, our overall EBITDA for the first six months now stands at Rs.402 Crores as against Rs.380 Crores in the same period last year registering about 6% of overall growth, so revenues have gone up about 3.3% during the first half console basis while earnings have gone up by 5.8% is how it is.

Now coming to the balance sheet part this quarter we had increase in our debt almost by in about Rs.2 million or so and that I believe is seasonal. Most of that debt increase is caused either by reduction in accounts payable, so we have reduced the liabilities or the bill discounting which we do in terms of receivable discounting that has also come down significantly during this period of time and small amount about Rs.27 Crores is related to the impact of the rupee depreciation cross currency translations, etc.

Hopefully that can be recovered in the later part, so temporarily there is increase in the debt, but we remain committed that we expect that by March 2016 we should be able to bring down the debt as we had originally predicted that from March debt of Rs.3900 Crores we will bring it down to Rs.3600 and we still remain on the path to achieve that with better performance in second half and also this happens during this period of time because during this period we use a lot of cash to pay off and buy these farm product because this is the season to buy the farm product and there you have to pay cash. While as we move into the second half most of our purchase is related to polymers, etc., and there we are able to get more suppliers credit, so accounts payable do go up again. So this is the seasonal issue what is being tackled here.

To continue on our path of debt reduction we had talked to the market earlier that we are planning to do subsidiary of the food processing business and we have already received the shareholder approval and we are in the process of doing the business transferred from the parent to this new subsidiary and which would be called Jain Farm Fresh Foods Limited. In short we call it JFFFL and Jain food. Now as we had also planned that we will raise certain amount of capital to do some value unlocking and also have funds for the growth and based on our negotiation with various investors around the world we have finally chosen an investor whom we believe would be real long time investor and it is a patient capital. It is the same investor who had put in money into our subsidiary shuffle earlier this year in month of March, so that had already build our relationship together and this was a long term patient capital which is coming in totaling to about $104 million approximately is coming from these investor and to match the dilution promoters are also putting in about somewhere between $16 and $17 million through warrant, so all in all company is raising $120 million through this transaction and depending on the currency rate the total money we might raise would be somewhere between Rs.790 Crores to Rs.800 Crores in rupee terms by the time funds flow in.

We expect to close the transaction sometimes in middle of December, so it is only about four weeks away or five weeks away from the date of today and we are confident that once those funds come in we would be able to further deliberate the balance sheet and bring down the debt. On one hand at the parent level and then on the subsidiary level we would have accessed to the funds to have good amount of organic growth as we are planning and if there are any opportunities in future, there is nothing on the card, there could be an organic growth to continue to support the business plan, which is there to ensure that we continue to grow food business more than 20% every year going forward as we have done over last few years.

Now it is also important to note here that the valuation, which we have got from the investor for the proposed food company is significantly higher valuation then what current some of the part valuation of this division would indicate if you look at the overall JISL evaluation.

Now the term of the valuation is that it is going to be based on our enterprise value multiple so we would go ahead and get a multiple of 12 times so the expected EBITDA of the food business this year is for FY 2016 is going to be Rs.250 Crores or Rs.2.5 billion and that multiplied by 12 gives you pre-money enterprise value of almost close to Rs.3000 Crores. Now out of this Rs.3000 Crores enterprise value the debt being transferred to the food business would be about Rs.585 Crores, so that takes the valuation then to about Rs.24 billion or so in terms of equity value and then if you add to that about $60 million equity, which is coming in that will take the equity evaluation close to about Rs.2800 Crores or Rs.28 billion and that is almost equal to the market cap of Jain Irrigation today. So I think it is enormous and huge value creation, which is happening. We should be very good for all the shareholders of JISL.

Now there is small caveat that if for some reason in next four to five years either if we are unable to grow the business in terms of revenue more than 20% and/or if we do not do any IPO at more than 20% annualized return, then the valuation is sort of 12 times would be 10 times multiple, so even at that level of multiple of 10 times our equity valuation for this entire division at that point of time would still be closed to somewhere between Rs.2300 Crores and Rs.2400 Crores, so again it is significantly far more than the current some of the parts will indicate and we believe we have maintained that kind of growth rate in the past. We believe we can definitely maintain that growth rate in the future.

We have a lot of new products in pipeline. We are looking to get into more creating products already which are consumer-facing and FMCG sort of way because most of our business has been B2B up to now, but now we would also be targeting B2C in a sense for some of our products and for existing products to whom where we sell to large global companies, business continues to grow and remain very positive. So this is a win-win transaction I believe for the proposed investor as well as for us and for JISL shareholders and we think this is game changer, which not only allows JISL to move forward to bring down its debt equity over next few quarters to a level of one to one, which should result in FY 2017, reduction in interest cost almost by Rs.100 Crores and by that improved profitability to that an extent, but it would also strengthen the balance sheet possibly next few quarters to re-rate the companies credit rating, so even the remainder of borrowing, which stays within the company there is a possibly we could reduce the interest cost on that remainder of borrowing as well.

The growth funds available for food would allow that business to grow quite a lot and there are a lots of opportunities within the food business, which is important to note because India as a country has very limited amount of processing fruits and vegetables and has more convenient food is expected as urbanization is increasing very rapidly in India. It is important that processed food will grow and there are very few companies uniquely positioned the way we are in terms of backward supply chain in terms of relationship with the farmers to source right fruits and vegetables and to process them and offer those value added products to the consumers whether those consumers are individual consumers or restaurants or to the large global food companies and we provide those to them as ingredients, so there is at macro level very good opportunity.

At micro level we have already shown and we have established a scale that we are the largest processors of mangoes in the world and third largest onion already in the world and in each of the product, which we will touch and grow forward, we would also building that level of global scale. We are already on our way to do a lot more bananas, we are doing more guava and tomatoes, etc., so that looks quite good from my macro as well as micro level and again we are uniquely positioned. We have skill set as well as the scale and customer relationship spanning almost about now 60 different countries in the world and almost top, out of the top I would say 100 food companies in the world, more than 50% are already our customers, so this is big, this is important and this was going to come, it took some time because we wanted to just get the right investor, right valuation and sometimes it is not that easy, but it has happened now and we look forward to very glorious growth and business opportunity for food and very good value creation for JISL shareholders.

That brings me to what else is happening in terms of overall scenario. We recently concluded a three-year contract with Coca-Cola who is our customer domestically and based on assuming the mango prices remain same what they were this year that amounts to almost Rs.750 Crores kind of business over three-year period, registering compared to earlier three year contracts almost more than 30%, 35% growth in terms of quantities I am talking about and in terms of value it would depend on every year's raw material prices, it could go up or down, but overall demand is good from our customers and this kind of long-term contract proves that we have stable relationship and strategic relationships, which would allow us to continue to grow the business.

Just a quick note on this very large order for the solar water pumps, which we have got, this order was part of a pilot tender. The pilot tender was for hardly about 10000 pumps and we have got almost I believe 87%, 88% of that tender. Now the government of Maharashtra has declared that they would be looking to do more than 100000 pumps every year for next four, five years, so the opportunity is large and we are now already establishing ourselves and we have established ourselves as one of the largest players in the solar water pump business in India and anywhere else in the world because there is not much of solar water pumping business in most of the developed world, but may be let us say Indians are continent may be Africa is where this will go and we have build a lot of good technology base.

We have built knowledge know-how. We already have connections with the farming community. We have the wherewithal in terms of ability to go and do installations in the field, so I think we will stay ahead and maintain our leadership in this business and take it to the next logical level where this can continue to grow and be important business.

These are the some of the update. Overall, it has been, even though challenging circumstances were there, I think we have done well. We are where we wanted to be in terms of overall first six months of performance and we think for the whole year as we had said at the start of the year, we would maintain a growth rate in double-digit on consolidated basis that would happens, some of the businesses we will do more than 15%, some lower, but overall double-digit growth on consolidated business, we believe will be maintained, so there is no change in that focus and our overall earnings except the caveat of the rupee where it goes based on the US interest rates, etc., should also significantly improve compared to the FY 2015 that is the same forecast we had given, so now I would like to open the floor for any questions you may have. Thank you for your patience listening.

Moderator: Thank you very much. We will now begin the question and answer sessions. The first question is from the line of Saket Kapoor from Kapoor & Co. Please go ahead.

Saket Kapoor: Good afternoon Sir. If I heard you correctly, you said the interest saving would be around Rs.100 Crores for FY 2017. Is it correct due to this infusion of funds?

Anil B. Jain: This infusion of funds as well as other debt reduction, which we are planning, all of that put together and improved credit rating impact all of this everything together we expect interest to reduce by Rs.100 Crores in FY 2017 that is right.

Saket Kapoor: For this year for the first-half we have paid around 234, 234 is our interest cost for the first-half and for the second-half likely this figure, this is the likely run rate for the second half also?

Anil B. Jain: Second half should be less than the fourth quarter because some of these funds would already flowing by December, so there would be about Rs.17 Crores, Rs.18 Crores reduction in the fourth quarter and also usually in the fourth quarter we have somewhat lower interest because better collection as we do larger amount of revenue, so it may not be the same run rate.

Saket Kapoor: What is the net debt as on September that level?

Anil B. Jain: It is 42.6 billion at consolidated.

Saket Kapoor: At the consolidated level and this is vis-à-vis mark how much it has gone up by?

Manoj Lodha: That is for standalone 2.26 billion.

Saket Kapoor: On consolidated?

Manoj Lodha: Consolidated 2.47 billion.

Saket Kapoor: Do you have experience the reason?

Anil B. Jain: Yes that I have given that this is temporary due to payment of more liability then this will more suppliers credit, so all of that will be back, this increase will go back to where it was in terms of and then reduction will come through this new equity infusion and better collection scenario in the second half as one is also saw last year.

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

Arya Sen: Good afternoon Sir. Firstly I missed that part the valuation could come down from 12x to 10x what was the condition for that?

Anil B. Jain: The condition is if the business does not grow more than 20% in terms of revenue next four years or else if as and when company has listed if the listing is not at more than 20% if either or, so suppose there is no listing over next five years, but if our revenues grow more than 20% every year then it will still maintain at 12 times.

Arya Sen: Okay, listing is not more than 20% valuation increase by the time of listing is not more than 20%?

Anil B. Jain: If it is more than 20% then you meet that adjustment condition and valuation remains at 12.

Arya Sen: It is 20% not per annum; it is 20% over a four-year period for valuation not is it per annum like?

Anil B. Jain: It is always per annum.

Arya Sen: The other thing I wanted to understand is how would this debt of 5.9 billion that has moved to the subsidiary what was the basis for that?

Anil B. Jain: Can you come again?

Arya Sen: What was the basis for moving Rs.5.9 billion of debt to the subsidiary, how was that calculation done and what will be the net debt equity of JFFL?

Anil B. Jain: That is going to be the total debt of JFFL when we transfer the business to them and that is based on it is underlying assets and all those calculations based on which it was done and thereafter and they are going to get this x amount of funds which will come into that entity and depending on how they use these funds for the growth in the initial period, the net debt would be lower than this 5.85 billion, which is being transferred to them.

Arya Sen: So what would it be the debt equity?

Anil B. Jain: Debt equity would be less than one, actually it would maybe 0.75 or so.

Arya Sen: What is the plan growth for JFFL, so you are setting up more capacity and could you give a little more color on that?

Anil B. Jain: Once the funds coming in December I think we can set up a special call to start talking more about the food, but generally speaking as I said we plan to grow more than 20%, growth will come from all our business whether it is mango pulp being sold in India or outside, whether it is other fruits, whether it is a frozen fruits, whether it is dried onion, every single business we are seeing an opportunity to grow, every single product line we are seeing an opportunity to grow and in some product lines today we might be just processing that fruit for one thing and now we are doing other things as well like IQF or frozen arils of pomegranate. There are different ways this will happen, but a lot of growth expected out of the existing product lines then we might add few other product lines as well as we go along.

Arya Sen: What was the EBITDA of the food business in FY2015?

Anil B. Jain: FY2015 was close to Rs.180 Crores and expected 250 Crores this year.

Arya Sen: 40% growth in EBITDA year-on-year and what has been done in the first half?

Anil B. Jain: I think it is very difficult to break that up in that content, but we are in expectation that 250 Crores we will be able to do.

Arya Sen: That is all from my side. Thanks so much Sir.

Moderator: Thank you. The next question is from the line of Harsh Mittal from Dimensional Securities. Please go ahead.

Harsh Mittal: I just wanted to understand the amount of networth transfer to the subsidiary Food Fresh number one? Number two, on this deal with Mandala, why the fluctuation in CCD, so do they have any option to exit the investment?

Anil B. Jain: No, just to clarify these are compulsorily convertible instruments, so there is no question of any exit or anything this is pure equity. The only reason in case of the food, there is a part of CCD is that if that growth or valuation does not take place, then they will get x amount of additional shares. So, if we meet our dilution, so we will own 86% and they will own about 14% of the food company, but if you do not meet the condition then they will get issued some additional shares under that formula, in that case they will own about 17% of the company and 83% of the company will still be owned by JISL. So the impact of change in valuation from 10 to 12 is nearly within that 3%.

Harsh Mittal: Okay and number two question was that amount of networth transferred to this subsidiary?

Manoj Lodha: So, basically the assets minus liability as Mr. Jain said about Rs.6 billion is the debt which is going to be transferred, so we are left with around Rs.3 billion to Rs.4 billion of a networth, but you know this is on the date of transfer, so today it is difficult to hard quoting a number, but that would be in that range.

Harsh Mittal: One last question to ask you as you rightly mentioned about the difference in valuation if you do some more parts valuation for the subsidiary and compared with your holding company, so why did the company dilute at Rs.80 per share to Mandala as part of the same deal?

Manoj Lodha: It was part of the total transaction. We have got the equity in, part of because we are shifting part of the assets to this subsidiary. We need to pay off our lenders and certain funds were also required in the parent, we had to repay to the lenders before we can ship the assets down below to the subsidiary and that also we have done at a premium.

Harsh Mittal: Okay understood.

Moderator: Thank you. The next question is from the line of PVK Mohan from Principal Mutual Fund. Please go ahead.

PVK Mohan: Good afternoon Sir. Could you just shed some light on the outlook for exports for the current year? What do you expect in the second half?

Anil B. Jain: As I said in terms of overall export right now for the first-half exports are close to where they were last year in terms of total Rs.370 Crores, it is about -3.6%, but if you really look at the breakup in different division exports are lower in MIS or the piping business which we have, but exports have significantly increased in the food side of the business and our plastic sheet business also now is improving. So, as we have talked about earlier some of our exports grow in the second half more in case of pipe or MIS projects etc. So all in all I would expect a positive growth rate in export even though in the first of it is -3.6. So having done Rs.370 Crores this year, our budget for 2015-2016 has been that we should be at least it about Rs.935 Crores in terms of overall export.

PVK Mohan: Specifically in terms of MIS exports, how do you see the exports?

Anil B. Jain: I think we will be happy if MIS exports this year cross Rs.200 Crores, last year we did about Rs.160 Crores, so we expect to maintain reasonable growth rate on that.

PVK Mohan: So the second question, could you just share your thoughts on what is happening about that the government talked about this Rs.10000 Crores per annum irrigation and also recently this Indo-Africa Summit, so whether that throws up in the opportunity for you on the irrigation side?

Anil B. Jain: To come back first about Africa, this Indo-Africa conclave was a very important conclave and we were well represented and the fact that 40 leaders of most of this country is came in that was quite positive. Government of India also announced additional credit lines of more than $10 billion over next five years to be spent partly in infrastructure, party in agriculture and irrigation etc. So, I believe almost about $3 to $3.5 billion would get spend on agriculture and irrigation related projects in terms of direct credit assistance to this country and we had some very good meetings with various countries whether agriculture ministers or the leaders and we have been working in Africa, we do already operate one we have the other in 30 different countries in Africa and we think this is going to provide a big increase possibility, but one we will have to wait for one more year right because some of these projects take almost a year to kind of get designed and get finance and get approved by both sides between Africa and Indian government or EXIM bank etc. but I am very hopeful that while our current business in Africa has been on an average about $15 billion, $20 billion a year between what we do here and some of our overseas subsidiary except for one project we did two years ago of $20 billion alone in Nigeria, but similar single $20 million, $40 million projects are now under discussion and under design process and they should come through, they may not come through already current fiscal year, but I am confident that for example, for next year in terms of irrigation water we should already get some larger projects and these projects now we are talking about $50 million plus sizes, so I am very hopeful about that, but major benefit of that you will see most likely next year.

PVK Mohan: Okay, something on the domestic part also this Rs.10000 Crores that was announced anything on that?

Anil B. Jain: That has been announced part of that is right what was being already done under some other program and all of there has been brought together under PMKSY and under that the government have asked each district to prepare their irrigation plants called DIP, District Irrigation Plan and submit to the central government, so that all processes is on. I was told that the process will get completed between may be by December and January by various individual districts then the central government would look at these plants and start acting on those, but as you know over last couple of years we changed our business model where we are pushing more on direct sales and you saw even current year we grew more than 7% already in this quarter on retail sales, so these government effort ultimately we will create more demand at farmer level, because farmers would get more money from the government into their accounts etc., with whatever assistance government will provide, but at the same time we have delinked our business model. We have more focused on collecting cash up front and whatever government benefit will come it will go to the farmers, but it should generate more demand, other day I read a newspaper that Maharashtra government is saying that now within three years they will bring entire sugarcane in Maharashtra under drip irrigation. Now again that is a very large business opportunity that it was talked also over last one-and-a-half year, but it seems now they are putting deadline saying it has to happen over three years, but now one I have to see how would that will get financed, but if that does come through because they are very serious because of this old drought situation. I do not think they have any choice and this has to happen, so if that comes through with the right type of financing, next year our Maharashtra business could suddenly explode to be significantly high level. So these things will happen and as they happen I think in terms of our capacity, our availability, our readiness, we will be there and capture that growth, but in the interim while these things may or may not happen based on our direct effort in dealing with farmers providing them right solution, doing certain type of complete end-to-end solution project and export as a combo we want to maintain more than 15% growth rate in irrigation business.

PVK Mohan: One final if may, if you look at the individual irrigation business then the domestic projects and exports, do you think would be the biggest drivers over the two, three years for you?

Anil B. Jain: It depends on the season. We have seen in the past that sometimes when projects are down, retail comes happen if you get a large export order suddenly in that quarter or those two quarters, export would be biggest driver, but retail if monsoon remains unpredictable like this and agriculture commodity prices remain low then the income available with the farmer and his mindset in terms of new investment might remain somewhat subdued, in that case retail might grow in single digit, but the projects and exports, I think would allow significant higher growth rate, because they would come in the big lump sizes, but if monsoon becomes better, commodity prices start going up next year then even the retail business can go back to double-digit growth. So it is a little bit hard to predict, but all possibilities exist and as a company we are ready to tackle any of which they come through us.

PVK Mohan: Thank you.

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

Manish Mahawar: Good afternoon Sir. On the MIS business mainly there is three year like retail project and your export business and your retail business has despite the monsoon was so bad at this time, the retail business, we are able to grow at a 5% this quarter, so what was the specifically, we are able to do with this type of growth and secondly how is the industry in behave and then mainly what the growth in the industry for H1?

Anil B. Jain: To be honest, I do not know the scenario of the industry, but if you look at our retail business for the first half that is almost grown close to about 9% for the first six months and that is because as we have been talking to all of you and other stakeholders that we are consistently focusing more on dealing directly with the farmers bringing out good solution to them and for example, this first half we have done okay in Maharashtra, but we have grown quite well in Andhra, we have done very well in Gujarat and we have grown more also in Rajasthan and some of the northern states. So this way and we have covered some newer crops earlier we focus more was just purely on sugarcane and cotton. We are doing lot more vegetables now, we are doing pulses now. We have started in soya bean. So, all of these things are helping us in that kind of thing. In the future as we do more wheat and rice that could be a new growth drivers and I think it is even more credible this achievement especially because last year sugarcane was big crop for us and this year sugarcane is almost nonexistent, because overall problems with the sugarcane industry and sugar mills and all of that everybody is aware of, but despite that with our single-minded focus that how do it helps small farmers to improve their productivity and their income, I think we are getting good traction from them to at least maintain this kind of single digit positive growth rate in a very bad climate and monsoon scenario.

Manish Mahawar: In exports MIS, because this quarter we have declined by 17%, whether the volumes are positive in the MIS business especially?

Anil B. Jain: As I said the retail business grew right 7% this quarter, though where we have not grown as a project business.

Manish Mahawar: No, I am specifically asking about export, because in earlier comment you said exports have declined mainly flattish despite?

Anil B. Jain: It is not bad to export last year, this quarter was Rs.32 Crores and this year is Rs.27 Crores. So, in overall value terms it is hardly Rs.4 Crores, Rs.5 Crores, it is not very big difference mostly due to projects.

Manish Mahawar: Project business has declined may be Rs.132 Crores odd and now Rs.50 Crores, what is the specific reason in projects?

Anil B. Jain: I think the projects are lumpy in size, some quarters you do projects very well and then you get projects more to be done at a later point of time, because of some approval or some permissions it takes sometime to get certain things done at the ground level, it is a timing issue. I do not think it is an issue in terms of underlying business.

Manish Mahawar: Okay, it is just the timing?

Anil B. Jain: It is the timing issue and we should cover that in the second half.

Manish Mahawar: Secondly on your piping business you said your PE pipe business did well in H1 Q2 especially and you said in the infrastructure segment. I believe in infrastructure there is a gas and pipe distribution and your telecom is a two segments right sir in the infrastructure?

Anil B. Jain: In infrastructure, it is water, gas and telecom duct and all the three and all the three are doing well. We had good orders from telecom companies. We had good orders from gas companies, because I think the gas pricing issue has been solved for them, now they are going for more investments and we have also had some good orders for the water and sewerage business in different states.

Manish Mahawar: All the three segments are doing well?

Anil B. Jain: That was very positive, if you see our pipe growth big time in March also happened even December, but that was mostly all telecom, but right now this quarter it was secular, all different segment came out well.

Manish Mahawar: Lastly on this year earlier you said guidance because we are thinking of mainly we have guided for a double-digit growth in the revenue for this year, do you continue maintain that number?

Anil B. Jain: Yes, we do maintain.

Manish Mahawar: Secondly in the next year may be FY2017 considering this right now order book and uptick in whatever growth in all the businesses, what type of growth you believe we are able to achieve in the next year 2017?

Anil B. Jain: We would talk next year bit later. It is too early to predict now, because partly depends on business on what happen underlying but our secular trend we feel we continue to feel that we would have positive growth rates and we should grow next year better than what we are doing this year.

Manish Mahawar: Thanks and all the best.

Moderator: Thank you. We have follow up question from the line of Saket Kapoor from Kapoor & Co. Please go ahead.

Saket Kapoor: Some questions have already been answered, just to get a sense about this industrial product part, what was the order book reason as you mentioned Sir?

Anil B. Jain: I mentioned the total order book is about Rs.1300 Crores and the food business is close to about Rs.460 Crores or so and piping order was about, piping and plastic sheet which goes into industrial that is about Rs.200 odd Crores and rest is under micro irrigation.

Saket Kapoor: Thank you.

Moderator: Thank you. The next question is from the line of Atul Mehra from Motilal Oswal. Please go ahead.

Moderator: Thank you. The next question is from the line of Atul Mehra from Motilal Oswal. Please go ahead.

Atul Mehra: Good evening. Just a couple of questions; one is in terms of project business trajectory for the rest of the year, so do we expect recovery happening right away in terms of Q3 in terms of order book visibility or would the second half also be somewhat weakish per project business in MIS?

Anil B. Jain: Project business in second half would be much stronger than the first half, but you will start seeing maximum of work you will see between December and March. So you will see partly in Q3, but far more in Q4. Because some of these orders which we are going to get now where we have been finalized like the solar water pump, it will take another 45 days before you start executing, so you are already middle of December. So you will see a lot in the last quarter.

Atul Mehra: Secondly Sir in terms of food processing with the new fund raise that you would have, so where would be have currently in terms of capacity utilization and that will give us some sense in terms of how the allocation of money would be in terms of debt repayment or capex?

Anil B. Jain: As you know this is seasonal business, so some of our plant in a season we are like almost running 80%, 90%, but then as you add more fruits or other vegetables you make some additional investments then that will automatically increase from the same capacity so even outside the season, for example in fruit processing, if you are just doing more mangoes and bananas but then you start doing more papaya and guava that gives you an additional 30 or 45 days where you can process and increase the business or even tomatoes for example. So, I think there is still some room to improve capacity utilization, but somehow capex will have to come, but that business would also be generating its own cash flow to be able to provide for some of the capex and some of these equity funds would be used by them to kind of repay its working capital requirement and reduce the debt to start with even in the food business and then as we go along and maintain that kind of a growth rate with a good level of EBITDA I think the overall business should definitely be free-cash positive and continue to maintain good traction.

Atul Mehra: Sir, thirdly in terms of B2C that we have spoken about also in the past so, any incremental updates in terms of what we are looking to do in terms of B2C as an avenue for food processing business?

Anil B. Jain: I think as you know to build a consumer brand takes a lot of time, and we have an advantage that a lot of people to try to build the consumer brand then they will do a lot of cash burn etc. We already have a lot of this industrial sale or institutional sale where we make reasonable good amount of money and on the back of that to build a brand should be comparatively better for us, but while we might launch and we might do a pilot here or there, the real big launches will come in the next fiscal year, but by the time we build a sizable brand which is recognized in market in large in terms of value, you are already looking at two years or three years, but we believe that all the necessary ingredients are there in terms of availability, cost benefit or cost competitiveness and some of the trials which we have done with the customer base they seem to like what we are planning to offer, but I think we can more when formally things are launched and once we start getting some actual response from the market.

Atul Mehra: Sir, one final question in terms of food processing. So this timeline that we have in some sense of four years where the business has to be IPO so is that an outer limit?

Anil B. Jain: There is no outer limit per se. I just gave you that as an example. We might do IPO in two years; we might do after five or six years. It is flexible. It depends on value creation. It depends on market opportunity how the market is at that point of time. It will depend upon agreement between both sets of shareholders. At a right time, one will do it; it is too early to speculate about their timing. What I talked about was that these adjustment conditions whenever we do IPO if you already hit that 20% value creation on IRR basis. This condition is metformin and even if we do not do IPO listed for five years and if we already still go ahead and have revenue growth of more than 20% even then adjustment condition is met and as I also explained, I just want to clarify again the impact of adjustment condition meeting or not meeting is merely 3% of dilution either 17% if we do not meet and 14% if you meet and it would not change the amount of the funds which are already coming in, the entire funds are coming in day one as equity and that would mean only at that point of time whenever we provide this test after three to four years, some more shares will be issued if condition is not met and if condition is met then we go ahead what we have now.

Atul Mehra: Given that we have so much value creation happening at the subsidiary level so would the management now perhaps also consider demerging it and perhaps listing it immediately in a year or so given that the value creation is happening on a much higher level there in comparison to the market cap of the parent? So that will be more beneficial for overall shareholders. So is that something that the management and the board will be looking at?

Anil B. Jain: As of now that discussion has not come up. In fact, I am hoping that with what we have done and what else is happening in the company, hopefully the share price or market cap of parent should significantly go up and if that goes up already it is doing what it is supposed to do.

Atul Mehra: Right but eventually are we looking at this demerging it completely where shareholders or Jain will get shareholder's share?

Anil B. Jain: There has not been a discussion of that kind. As of now we are just focused on creating a subsidiary, raising funds to manage good growth rate and getting a very good valuation. That is where we are right now focus is on building the business to the next level.

Atul Mehra: That is it from my side. Congratulations and wish you a very happy Diwali.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to the management for closing comments. Thank you and over to you Sir.

Anil B. Jain: Thank you. This is a holiday season, so I do not want to and from tomorrow I think most of the banks are closed. So, I do not wish to hold all of you for any further long discourse than what we have said. We are very happy with this event about the food transaction. We believe it is a game changer and it should benefit all stakeholders of company very well and all underlying businesses of the company have done necessary ingredients in place to maintain consistent growth rates. We did face headwinds due to bad monsoon and lower agricultural commodity prices, but we have been working hard to address those issues and it seems our effort and whether it is about exports to Africa, whether it is about solar water pump projects those efforts are giving us solutions and shall allow us to continue to remain a company, which is growing quite well, a company which is reducing its debt and company which will create positive free cash flow. Thank you all and thank you for your support.

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