Jain Irrigation Systems Limited
Q4 FY2020 Earnings Conference Call
August 04, 2020

Moderator: Ladies and gentlemen, good day, and welcome to Jain Irrigation Systems Limited Q4 FY2020 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 from Jain Irrigation. Thank you, and over to you, sir.

Anil Jain: Thank you. I would like to welcome everybody on this call to discuss and review the results which came out of the board meeting which we held on 31st July and to review in particular the Fourth Quarter, January to March in the current year at and also kind of review what happened to the whole year, so again thank you all for joining the call.

As you might have seen the results from the updates we had already provided to the exchanges post the Board meeting that it has definitely not been a great year. In fact, in terms of performance, I would say in the entire history of the company in terms of absolute numbers, it is one of the worst year we have ever faced since our inception in 1986.

Having said that, I believe situation will change. It may not materially change in FY20 but I think our losses in the current year shall be significantly lower compared to what we endured through March '20. So I think that would be a better scene. But with all the work which we are doing, we expect that by March '22, next fiscal year, we shall definitely be positive and profitable company again.

In the current year, FY20, it is difficult to determine exactly where we will end up because of the continued lockdown and disruption linked to pandemic, especially in India and also in other parts of the world. We, as a company, as you may be aware, we have almost close to (+50%) our revenues come from Indian operations and around similar amounts come from the overseas operations. So when one analyzes the number in detail, one realizes that the negative impact due to the issues which we faced in India, on Indian operations, is far-far more than I would say, on the overseas operations. Overseas operations also suffered because once Indian entity and the parent, there was a negative default B rating. And when lenders kind of froze the operations to an extent for a certain period of time and withdrew certain facilities, it created a huge impact on Indian operation. And while that may be so, in overseas operation, they have had a second level impact and effect because of the parent issues that even their own bankers or their suppliers, there is a general level of tightening because of the issues the parent was facing. But I believe despite those challenges, comparatively, overseas operations have held themselves well. And even already the whole issue about pandemic was coming through in February, especially March and certain of our overseas operations were also disrupted because of that. And that also has played, to an extent, a role in these results what you see.

Now overall, we, as a company, have done approximately Rs. 63 billion of revenue for March ‘20 as against Rs. 86 billion a year before. And that has meant overall for us, a significant reduction of almost 28% for the whole year into the business. When we look into different-different divisions in terms of how they have fared in just in terms of the revenue for the entire year. So our Hi-tech division, which incorporates micro irrigation and tissue culture, overall consol global was down about 30% in its revenue. Plastics division, which includes plastic pipes and sheets, was down almost about 47%. Food division, which is managed through a subsidiary called Jain Farm Fresh, came out almost same as last year with 1% positive in terms of overall revenue.

So overall company registering negative 27.5% growth, as far as the entire year is concerned; within that breakup, when you look at India, so when you look at Hi-tech division, overseas, all entities put together were slightly negative compared to last year at (-4.5%) while India was (-54%) and averaging to about 30% negative. And in Plastic division, overseas was positive at 4.2%. India was negative by 57%, registering overall at (-46%) and in case of Food, overseas subs again did positive at 2.4%, while India was negative at (-9.4%), registering combined together of 1% positive. So that is how this has evolved over last 1 year. So while India’s situation was known and because of the liquidity issues, seasonality issues, issues with the lenders and the rating, we suffered quite a lot in September quarter, December quarter and that low level of CAPEX utilization kind of remained in the March quarter, and that has affected our entire operations.

But when you again look at the fourth quarter specifically in terms of revenue, as we are looking at fourth quarter and annual, again, if you look at High-tech division, India was negative almost 72%, while overseas subs were minor, about 3% negative, registering overall 42% negative. Plastic division was 68% negative in India and overseas subs were negative by (-14%), registering (-57%) growth. And even Food division in fourth quarter was negative at around 7%, registering in the fourth quarter, overall we were minus revenue at 36.7% as against the last year same period when you look at it. So total revenue in fourth quarter came out to about Rs. 16.3 billion as against Rs. 25.8 billion in the same period last year, post elimination of intercompany transactions and netting.

So in the fourth quarter, as I said, about 36% lower growth, primarily led by India, and operations in India, and partly for overseas operations, whatever negative impact of pandemic in month of March and one should know that usually, January to March as a quarter is the biggest quarter for the company where we do maximum sales. And month of March is even more crucial and important based on seasonality and the fact that it's the fiscal year-end, and when you have certain amount of government business, a lot of billing happens before the end of fiscal year, etc. So all of that got impacted and therefore, there was significant reversal and reduction in the revenue in the fourth quarter, registering a negative 36% overall. And if I just want to say that so India registered about 64% negative in this quarter, while overseas subs were almost same as last year same period. So overseas even in the fourth quarter, overall, combined all businesses, we were able to maintain no reduction in the revenue level. And that is good going forward as we come out of pandemic that level of resilience and strength in overseas operation should help us, the company, as India situation also comes back to normalcy in the second half of the year.

So while these were the revenue numbers, quickly if I want to cover the facts about the cash flows; you would see that in the fourth quarter because earlier three quarter results were already out earlier, in the fourth quarter, overall as a consol company, we had a small positive operating profit before working capital changes. And even after adjusting working capital changes, we were a nominal $2 million or Rs. 12 crore cash was generated from operations after working capital changes. So at operational level, fourth quarter, despite all its challenges, significant reduction in revenue, we could manage to keep it positive. But of course, from that cash positive cash generated from operations, when you eliminate the taxes, the interest and whatever money was spent on maintenance CAPEX, etc. we end up in approximately 2 billion negative free cash flow in the fourth quarter, as an overall consol company.

Now you might see that overall results of the company are negative results in terms of P&L, are almost, (-4.2) billion on a PAT basis actually. On consol, for the quarter ended March, the Rs. 3.2 billion is negative. And for the year ended, it's about Rs 7 billion negative. So out of this, Rs. 3.24 billion negative on the consol basis at a PAT level into the company, one should note that due to what is happening in the economy, with the pandemic, also the government finances and so on, we have taken some prudent one-time provision related to receivables and some of the government claims almost to the tune of Rs. 1.8 billion. So that negative number you see on the fourth quarter itself has this significant amount of onetime cost linked to the receivables, pandemic and the government finances. And if you look at the overall year, I think because how things have evolved that figure, if you look at annual consol figure of more than Rs. 7 billion of losses, you would see that very close to approximately Rs. 3 billion were specific provisions being made in the current year.

So when also you look at now; coming to the fixed assets, we moved our total fixed assets almost last year, March ‘19, were Rs. 48.5 billion and for March ‘20, they are Rs. 49 billion. So a very small change, 1% change in terms of the fixed assets in terms of net addition of the fixed asset is hardly 1%. As a company, I think, if you look at India operations, we have good amount of capacity. So we don't have to spend too much on CAPEX, except on maintenance CAPEX and some amount of replacements, which may be required as some of the assets, production assets get old. Approximately, if you look at this year, FY20, depreciation in the consol company is about Rs. 3.5 billion and the total new assets, which were—including maintenance, most of it actually is maintenance CAPEX in March ‘20 was—close to Rs. 2.8 billion as against Rs. 3.5 billion depreciation.

If you look at March ‘19, the total spend on fixed assets, including maintenance CAPEX, was R 3.9 billion, from there it has come down to R 2.8 billion in the current year. And I believe in March ‘21, company has made a plan to further bring this down, maybe closer to 2 billion. But that's a minimum maintenance CAPEX required to run all the operations and all the plants. And we expect India to do far better capacity utilization in current fiscal than we did last year. It may not be at adequate and enough, but at least it would be better. So that's on the CAPEX and the fixed assets per se.

We have already covered the overall cash flow then one-time provisions and overall, when we look at our consol revenues in the current year, the first quarter, company had about Rs. 19 billion revenue. In second quarter, it came down to Rs. 14 billion. Third quarter was Rs. 13 billion and fourth quarter, we did about Rs. 16.4 billion, registering total Rs. 62.8 billion as revenue. Now this, as I said, was earlier year, Rs. 86 billion. And in that year, the first quarter itself was close to Rs. 20 billion and we were not very different. The major impact we have had is in 2Q, Q3 and 4Q, all mostly to India. As I said, overseas entities have almost done the same as year earlier. So in the first quarter, we were negative 8% revenue; second, 27%; third, 36% and fourth is 37% and I think in the current year, you will start—already seeing better numbers—but again you will not see the whole recovery because we have now less focus also on the project business. We haven't taken any new projects where capital gets locked up for much longer period of time.

While whatever the contractual agreements we already have on existing orders, we will have to complete those but we are prioritizing those and completing those where we can be confident that cash flows will come back soon. So that strategic change we have also made. Another strategic change we have made is that even to our dealers, we used to provide certain amount of credit, 90 days or 120 days. In some of markets like markets like Maharashtra, our irrigation business now is almost moving to receivables without any credit. So when you deliver the goods, you should get paid. What we call that is a cash and carry model. All the money comes from the bank but it is called cash and carry model, in essence, saying that we are significantly reducing the credit being given into the market.

Now this is something new we have done because while we talked about earlier that we will restrict the government businesses and that we are already doing. And we will slowly recover the old the government receivables. But at the same time, this is something new, which we have started doing from April, about dealers also on some of the main markets. And in the first, this quarter, April to June when we put this strategy and during pandemic, to remind you, we have received some good level of support from our dealers over our extended hand into the marketplace. And they did provide a significant amount of cash upfront for us to conduct the business in this April to June quarter. And in April to June quarter, while numbers are still to come out, our result and audit is still going on. But I can share with you that our overall revenue for India operations in the June quarter was higher than the September, December and March quarter. So it shows that even though we were almost fully closed down in India in the month of April because of the lockdown and we hardly got about 5 days of April to work and month of May and June. So in 2 months and 5 days of work which we could do, our teams, our people were able to generate more revenue than what they covered into the full quarters in last September, December and March. So that's definitely a positive news in terms of direction in which we are going and our overall collection in this particular quarter, June quarter, were higher than the sales, so small amount of receivables did come down also in the June quarter. So again, that's a positive news when you look at it in terms of the direction which we are going. So we expect in the rest of the fiscal year, things to improve in terms of revenue compared to the last year. And as we improve revenue and capital utilization, some of these losses should go away, so that will definitely be helpful when we would look at it.

Also last; the few quarters, especially India operations has had a significantly negative, even at the EBITDA level. But we are now trying to see that in any quarter, once we hit Rs. 6 billion plus revenue in India, we should definitely be not only positive on EBITDA but to cover also the finance cost in that context.

Now having shared with you these results again, these are not great results and as a management, we feel very bad about it, sad about it. And we are doing what we can to improve the situation, but it is going to take some more time before you start getting and seeing actual positive numbers. And our entire team in India, overseas, around the world is definitely committed to put back company onto the path of profitability and value creation.

Now beyond improving our revenues and sales, that is one way to improve the absorption of fixed cost, create more contribution margin and improve the end profitability, we are also taking various steps in terms of cost optimization around the world. And some of the impact of that cost optimization, one we'll be able to see in the second half of the current year because when you do cost optimization, especially in overseas markets, you have other things like severance costs, etc., which do hit you. And then the benefits start flowing a little bit later. So we expect that to happen as well.

And in India, we are also making certain changes. As I said, for example, in sales organization, we are trying to bring create a more efficient sales organization, where we have merged the sales and marketing organization of both pipes and the drip irrigation because both are mostly agriculture inputs in our case, and by combining these two separate sales organization, sales and marketing organization, we are creating a fundamentally much stronger outlet and a large number of people who can focus on both the products' look based on seasonality and try and service all the customers. And we have found that this change has been initiated from 1st July while it was in making for last two quarters, it took some time. It has been welcomed quite well by all our dealers, our customers, and of course, people within the organization. So it would all get fully rolled out by September before we start the busy season. And I think that would help us also to go back and get back our market share, which we have lost in the last year and current first and second quarter.

So that’s another thing which we already done on sales and marketing side and we will continue to fix cost optimization on the manufacturing side in terms of energy cost, wages, in terms of using more of the automation, in terms of products and processes. And part of that is linked to what's happening in pandemic, parts of that is linked to the fact that we continue to evolve in response to this pandemic and social distancing, where a lot of work needs to be done on a digital basis. People are working from home, traditional supply chains have disrupted. So whether the logistic, whether supply chains, whether how we deal with our dealers, we are putting a far more robust digital architecture within the company where all our dealers would be able to not only order through the whole thing, automated basis, but also see their deliveries and track those and everything to become more real time. And lot of work has been done and some of these things have already started. I think by September, there will be full rollout or fully automated in terms of interface with the dealer base would get fully automated. And we are trying in during this period; we are using that for training of our people, training of dealers so that they also come on board to do that effectively. And that would save maybe a couple of points in terms of cost on sales marketing side. But more important, I think that is going to help us to improve our order to delivery cycle and on-shipment cycle in terms of our guarantee and delivery of service point that how soon we are able to honor every single order and how do we do make-to-order and make-to-stock, etc. So these things are in works and in a full season in the latter part of the year, one can already start seeing benefits of those.

So company is making those organizational changes to create better digital architecture, a combined sales and marketing team in India and we are also in a process of ensuring that all our overseas business also do further cost optimization than what they have already done. And I believe in the full current fiscal year, overseas operations especially will be able to already show the results of all the steps which we took last year.

Now beyond that there are two more important things which we need to look at, study and I would like to share with you is the fact that company since last June, we have been in discussion, one way or the other, with the lenders. Because we have multiple lenders of a different nature, it has taken some time. And all the lenders also wanted to look at the company from 360-degree angle. They got lot of audits done about the receivable, about the forensic audit, about the valuation of the assets of the company. And banks had appointed also an agency to look at the commercial viability of the operations, to look at whether there is a demand for our products, to look at whether company has the ability and technology to fulfill the customer demands and can we do it in a competitive way. So there have been multiple agencies at work over this period, looking not only at the books of the company, at the physical assets of the company but the business model of the company and the underlying transactions and relationships with the stakeholders. So they having done so and received all their reports, bankers and the lenders have felt comfortable enough to continue to move ahead to arrive at a debt resolution plan, which we expect to get done soon now.

And unfortunately, due to pandemic and inability of people to travel, the whole thing got delayed by another 3 to 4 months. But I think despite all the pandemic scenario, the teams from the lenders and our teams have been working through videoconferencing and all other possible means of communication to make that happen, even though the physical lockdown and limitations have created certain hurdles. And that process has moved positive. We believe process is coming to kind of a final lap now and in the current quarter, we expect to close this. Of course, this is subject to approval of the individual boards of the lenders, but at the in-principle level, we believe there is a certain level of understanding and a common framework has been agreed upon. But that still needs some work based on what the bankers' individual Boards will say and decide. So with that qualification, I can say that a lot of work which has been done has revalidated our company, its operations, its governance and its possible future. And once done by September, the debt resolution plan will provide company a certain period of time to rebuild its operations and revenues to the next level and then over a certain period of time, pay back the bankers certain amount of debt. So there is an overall resolution plan and because of the confidentiality, it cannot be disclosed. But as soon as it gets approved and agreed upon, as a company, we will immediately share with all stakeholders and especially shareholders and investors and the markets in general. So that's another thing which is going on.

Another point of view regarding our ability to monetize certain assets and sell the businesses; while we had started in earnest on that issue, as I have spoken earlier in August-September, by time, December-January, we were talking and receiving a lot of interest from various investors. But from February, we have seen that a lot of these investors have said kind of that we are going to wait and watch. We want to wait till the time the whole pandemic scenario becomes clear. We know how the economies are going to function so that they can assess the value of any business properly. So we are in a wait and watch mode in those efforts and I hope that as things come under control, as vaccine comes around by the end of December or first quarter and once that is done and more stability returns to how economies are going to function, I believe those discussions can be restarted to help us deleverage the company.

Another factor, which we are working on as a company is that while we are focused on changing certain things in the operations, we are changing situation in terms of the focus, in terms of internal management but we also wanted to create a different governance structure. And as a part of that, in the Board meeting which we held on 31st July, we have expanded the Board. We have added some new, very eminent people who bring a lot of good experience on even agro-financing, which is going to be important for our dealers and others as we want to improve and move to positive free cash flow very soon. And we're going to get an investor nominee on to the Board. We are going to get a lender nominee on the Board. So Board is expanding and we are using that opportunity of expansion of the Board in the current scenario. Also we have reconstituted various committees of the Board. We have now made a Risk Committee—a Risk Management Committee—to be also a very crucial committee because the kind of risks we have faced over last four quarters or last couple of years because of the bad seasons or bad government policies or just lack of rain or difficulties in rural India on one hand, and our own internal growth plans, which we have executed over last 5 years or so, had created a balance sheet which could not sustain these kind of market shocks or changes either in the policy of the government and/or delay in receiving funds from customers or the monsoon shocks. Now so we need to devise a new way of doing things, and that is being tasked, given to the Risk Management Committee that we set certain benchmark and framework where some of these risks, one will be able to see it from earlier time and also change the underlying business model to derisk their business model so that we can mitigate these risks even before they come to us. So one is create a mechanism where one can see the risk early on and prepare for them. Second is, change the underlying business model itself so that we create some cushion to absorb the shocks which are an inherent nature of our business because of the seasonality and rural parts around the world. And some way, one way or the other government policy impacts that part of it. And while we do that, these two things we do in terms of risk mitigation as well as changing the business model to create more cushion and more room; the third as a part of this would be to once the market come back and investors start looking at things properly, to decide about the value monetization in a right way so that we continue to remain a proper leader in this business and continue to add value to all our stakeholders.

So revamping of these committees, broad basing of the Board would also mean going forward, when you think of next fiscal onwards, we would also be looking at over next few quarters, bringing in additional new talent at managerial level, at operational level, change also the current structure which we have in terms of the people who run the business and people who are responsible for P&L. So all of that is going to get revamped and you'll start seeing maybe a different or a newer company already from next fiscal. While current fiscal, we will be focused on trying on annualized basis, on a run rate basis, by the time we hit maybe December-January, post COVID, assuming economy has come back normal and monsoon remains normal, that running rate from January onwards of company should be profitability-oriented. That's our focus in the current year.

We will continue to work on the balance sheet. Balance sheet has almost on a net basis, Rs. 65 billion of the debt and that needs to be addressed. As a part of the resolution plan, some of the cost of the debt is going to come down. As and when the debt resolution plan gets fully approved, there would be some write-back of the interest, which has been charged back over the last few quarters, also because the cutoff date of the resolution plan is going to be last year, 30th June ‘19, even though it may be approved now and some of those things would be written back and so that would be, again, at that point of time, while as of now, on the books we have taken the full cost of the interest and so on.

So some of these things, changes will happen going forward and we are very resolute and steadfast in ensuring that in March ‘19 and not too far ago, company had a good level of profitability. Even though we were over-leveraged considering underlying capacities but we were profitable and even a year before that and so on. But this 1 year, this kind of a sharp drop from a cliff in terms of underlying operations, in terms of reduction in revenue, not enough absorption of fixed costs, significant increase in the finance cost has resulted into significantly negative losses on one hand. And that has also meant huge amount of erosion in shareholder value. And I think we are committed to fix that as soon as possible through all these efforts which we have made.

Once the resolution plan gets formalized and announced, as I said, over next couple of months thereafter, we might be able to then sit down with the investors and other market participants and share—in more detail—our complete reorganization, revamped plan in terms of how things are going to be different over next 3 to 5 years, how we rebuild the underlying business model, how we recreate the value for shareholders, how we create new structures which uses our significant capacities in terms of business, our production capacity, our extraordinary brand strength in the global markets, skill set of our people, our technological leadership which we have in each of our products in terms of where we are. And what are going to be the new levers, how do you mitigate the risk of the agriculture seasons and government policies and that's always a crucial issue. And it's not that simple, it's not linear. It would require some complex work. And that's what with the help of some outside consultant at the Board level, we shall be doing.

So I've tried to share with you as much as I can in terms of what happened in last one year, what has happened in the fourth quarter. Now as we go along, as we try and lighten also the balance sheet, we are trying to overall, bring down inventories in terms of also the receivables. So compared to March '19, overall when you look at it, our receivables are down from almost Rs. 30 billion, down to Rs. 28.1 billion. And our inventory, which in March '19 was Rs. 25.7 billion, is down to now Rs. 22.6 billion in March '20. So you will see that over last 12 months, the overall inventory for the company—global consol level—has come down almost by Rs. 3 billion and even the receivables have come down by around Rs. 1.75 billion.

So there is a reduction in absolute amounts on the working capital side and we will continue to work. And as we go along, you will see further bearing down of not only on receivable, we still have a good amount of room to grow and further reduce the receivables. But as far as inventory is concerned, we need to remodel the business model itself because some of the inventory like in Food business is part of the nature of the business that in two months, you process so many mangoes which you have to sell through the year and you need to carry the inventory. But I think....

Moderator: Ladies and gentlemen, thank you for patiently holding. We now have the line for the management reconnected. Over to you, sir.

Anil Jain: So I'm sorry for that disruption. So overall, we are moving forward. The lenders are supporting us. All other stakeholders are supporting us. Our operations have started already improving. As I said, June was better than March, in overall scenario despite the fact that it was a quarter where we got mostly affected by pandemic, lockdown and disruption. Even then June was better than March, so that's a good news.

And as I said, overseas businesses have been doing well. In India, we are trying to run all the plants properly. These plants are running at lower capacity. We have introduced all the social distancing which is required to be introduced. We have changed certain production processes to ensure social distancing, sanitization, wearing of the mask; minimum things which are required have all been done. All our people have been trained considerably in terms of managing the scenario and even their families, we have tried to reach out to them, to try and bring new normal, how do you look at life, how do you come to work every day, what do you do when you go back home also? Various things, which are important to maintain certain continuity on one hand in terms of production and revenue generation, but without compromising health and safety of the people working and all the stakeholders with whom you connect while you work and you run your business.

So as I said, we had already started by 23rd-24th of April and we have been able to go through that process. And we will remain vigilant against this invisible enemy. We will ensure protection of all our people to the best we can. We have introduced and we have shared a lot of resources with our people. We have shared with them certain immunity boosting stuff. We have shared with them certain kits in terms of medicine, apart from the training about what needs to be done.

So all that work is going on, so while we want to get back to more operations quickly so that we reduce our losses, we are not doing that with any compromise on the health and safety of all the workers and associates and the people who work in the company or whether they are working from home or they are coming to factories because during month of May and June lot of these people working in the shop-store, for them to come to the factory was very difficult. The people had fear psychosis, their families were not willing to let them come but when we discussed with them and the families and we showed them all what is being done to protect themselves, slowly people started coming and that fear psychosis has now come down quite a lot. It still stays to an extent but it has come down quite a lot and we believe with co-operation and understanding of our people and provision of all the necessary facilities and medical infrastructure we should be able to run smooth operations.

So that covers I think most of the topics I wanted to talk. Quickly couple of days ago we had also given a release at the stock exchange that we are also engaged with the bondholders to reach some understanding about restructuring of the bonds because we had a default in month of February and now the August. So, two interest remains I have not been made and that has necessitated some kind of a dialogue and restructuring with bondholders. Bondholders have already appointed financial adviser and a legal adviser and our legal advisers are in touch with the bond advisers and over next few weeks we will arrive at some kind of a clarity in terms of commercial terms and the framework under which this scheme of arrangement will be worked out with the bondholders. It's a work which we need to do and we are engaging with them with right intentions and a certain level of I would say urgency now because last few months were very difficult to operate anything and so it got delayed and before that we were so deeply involved into the Indian restructuring and resolution plant. But now in terms of our engagement there is a deeper engagement with the bondholders and we expect that sometimes again over next 2 to 3 months we should reach to some kind of a proper outcome considering the scenario which is out there in full consultation with the bondholders so we are on to that as well as a company.

So we are working on the multiple fronts; one is to deal with the lenders, the bondholders, look at the resolution plants, scheme of arrangement and seek help to continue to maintain the operation. We are working at the operational level in terms of pandemic, social distancing, health and safety but continue to improve the amount of operations which we do compared to the last year in terms of processing, production, delivery. Then we are working with the sales and marketing organization, working with the dealers to create more unified organization, more digital architecture so that we can improve our service delivery to consumers and try and gain back the market share. And then fourth we continue to work on the initiatives related to cost optimization either in manpower, energy or any other way or logistic or any other way we are running our business. Every single cost point is being looked at, has been already worked upon on to an extent where you will start seeing benefit from the second half but that's something which is ongoing. And fifth, we are working on the governance structure and the way how the businesses have been managed and the P&L responsibility and our board committees will be working along with the management and external consultants to arrive at some kind of a long-term plan which once implemented, which allow us to build a newer Jain Irrigation over next 5-10 years or a decade where we can move in certain different direction where generating positive cash flow would be more important than either revenue or even margins but again idea would be to continue to grow, be profitable and generate positive cash flow. And the sixth part of the whole story is to create renewed interest in terms of value monetization where feasible, where possible, post-pandemic, post-vaccine once things come back to normalcy in the next year.

So these are the different fronts on which we are working as a company and we look forward to support up all the shareholders, all of the market participants. Our post-COVID world, Food and Agribusiness has lot more potential, our product and services are I think the best in the world and we are very confident and very optimistic that with the support of lenders and bondholders on one hand and our own people working within us, we would really make this company a much different and better company going forward and so that we don't have to face the similar issues we have faced over last four quarters; definitely not this type of losses ever again.

Thank you and there is a limited time now and will be happy to take few questions and beyond today's time, if other people still have questions please write to us, to the company and we can respond you through email as well. Thank you again and please stay safe, within the COVID period stay healthy, keep your families healthy, that's our wish and wishing you all the best. Thank you again.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Parag Khare from TCS.

Parag Khare: I think we did a quite a good work with the lenders. So I am sure it would have been very difficult for everybody as a management but I think things should improve. Couple of questions with these losses and probably some deterioration in the overall net worth, do you have the number, what is our net worth right now on a consol basis end of Q4?

Anil Jain: Our net worth continues to remain around 4000 crore approximately.

Parag Khare: That's on the consol or standalone?

Anil Jain: That's standalone, if you look at the net worth consolidated March '20 standalone is 4216 crore, consolidated is 3471 crore.

Parag Khare: Whatever the prudent measures which we had taken as a part of provisions for delayed receivables, is it done or it will continue for Q1 of this current fiscal as well?

Anil Jain: It depends on what happens with the pandemic and economic disruption but I think we have done a lot, is what I would say. Just to quickly cover that question, if you really look at company's balance sheet or P&L over last 17-18 years; company has hardly written-off any receivable. So we have very good track record of collecting but there are delays in the whole, how things will work out. So the current provision which we have now on the books, total provision including the provisions in early years, cumulative provision today stands around Rs. 3.5 billion approximately. I don't think we need to do similar level again. There could be incremental, it may be prudent because auditors also ask you to do in because external things are not very, people don't know what is going to happen, so there could be some additional prudent provision. But what we have done in the March quarter was a significant one-time scenario I don't think you will see those type of big numbers going forward.

Parag Khare: Last question on the possible value monetization. I know we talked about it quite a few times 2000 crore for value monetization and maybe 1000 crore by collecting the delayed receivables. Are we still sticking to that target post-pandemic 2000 crore through value monetization or it may come down because of the overall economical scenario?

Anil Jain: I think recovery of the receivables we are definitely on the target. Those amounts are already frozen, in consultation with the lenders on all of that, that's going to happen and it is already happening. In terms of value monetization also, our overall target for de-leveraging stays and to be able to make that de-leveraging target, we will have to bring about 2000 crore. But the timing of that is uncertain today. We need to review it post-pandemic scenario when things come back to normalcy. But we do not want to deviate from that target even though timing has changed.

Moderator: The next question is from the line of Deepak Mehta, an Investor.

Deepak Mehta: My question is that what kind of new demand for new products you are seeing in the market for our company? What is your deal pipeline and what kind of innovation R&D we are doing?

Anil Jain: That's a good question Deepak. In terms on what we are working on the drip irrigation side is working with the farmers to create more automated systems which would allow them to work with less labor because labor has kind of disappeared and because social distancing, it is creating issue. So creating more and more products which he can operate, using his mobile phone for example, so we are working on that type of innovation and R&D on one hand. On other hand in terms of R&D the work which we are doing is, we have a smaller division where we use biotechnology, tissue culture products etc., which are quite profitable and nice and there we are now, we have been working for potato and potato has lot of demand in India so that would be a new product which would be adding and we continue to do some work on additional products like coffee and others. The third is that our Food division has done the spices, spice processing investment and to back them up we are looking at doing more R&D on, trying to get more curcumin out of the turmeric or other using Green houses to grow black pepper in other parts of the country apart from Southern India, so that India can produce much larger quantity of its own black pepper. India has started importing black pepper from Vietnam now, so that kind of R&D. So there is a different type of R&Ds being done. Recently our Food Company launched Aayush Kadha, is something you can take to improve your immunity using different spices. So that's another product we have launched for the customers right now.

Moderator: The next question is from the line of Pawan Yadav from Prime Securities.

Pawan Yadav: I just have one question that if you look at the kind of employee cost that Jain Irrigation currently carrying and the kind of cost that the top management is currently, the employee cost that is attributable to the top management. As an investor when you look at how the things are going to be for the next 1-1.5-2 years, do you think that the scope for a cut in the management compensation and as well as cutting down on the overall employee cost that you currently have?

Anil Jain: When you look at the detailed results you have will see in the fourth quarter we had certain amount of reduction in the cost of the overall manpower cost in India in absolute amounts. The cost as a percentage looks more because revenues have gone down significantly but we will continue to optimize on that. The second part of your question was related to top management compensation. The top management compensation has been significant amount, I would say, is linked to the profitability.

So you will see that compared to '19 to '20 there is a reduction in top management compensation in terms of the absolute amount being paid to the top management almost by more than 50%-60% because of the lack of the profits. So it's mostly profit driven, if profits come back they can draw more but then profits are not there the top management is getting significantly lower amount. And on the top of that I can share with you that as a top management we; me or my brother, some few other people, we haven't taken salaries post last October-November for last 6 to 8 months because company was going through so much of issues. So we as a company and as a promoter, as management we are very conscientious people, we know what this means and over last decade again promoters have taken personal loans by pledging all their personal assets and infused more than Rs. 400-500 crore of equity into the company. And even now under this whole resolution plan we are expected to further contribute because that's a requirement by the lenders and we are working on that. So please be assured that we will do whatever it takes to ensure company becomes profitable as much possible. We will not, while company is losing money the top management is not going to try and take the cream away or anything of that sort and optimizing overall manpower cost is already happening and you will see that when you look at individual results but again that can be seen over a period of time. Thank you.

Moderator: Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Jain for his closing comments.

Anil Jain: Thank you. So again I would like to thank again for all of your support and I believe we as a company, we as a management are committed for full revival as soon as possible but knowing where we are and knowing the other stakeholder's co-operation, we need to make that happen. It is going to be a few quarters before things are back to normal and of course pandemic doesn't help in that scenario but as I explained signs are positive, we had a good May and June; even July was reasonably okay in terms of underlying revenue, cash flow collections and our discussions are going in a positive direction with lenders but it is of course subject to their final approvals which we do not have yet. And we think because underlying product and services have good demand, we have very committed workforce and what we call associates and that company has lot of strength in its brand in the marketplace and overall our medium to long-term vision is to rebuild the company back to its glory in every sense and in that I just want to thank all shareholders who continue to remain shareholders; I want to thank them for patience and we are going to make an effort that, that patience gets rewarded. Timing I cannot control, I do not know but we are working towards it and we are working really hard. A lot of us in the entire lockdown were at work every single day starting from 15^{th} March and that we still did because we are in rural area and in rural industries we are allowed to work. So we could manage that and we will continue to do so and we thank you for your support. Thank you again.

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