"Jain Irrigation Systems Q3 FY'21 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to Jain Irrigation Systems Q3 FY'21 Earnings Conference Call. We have with us today Mr. Anil Jain, M.D. and CEO; Mr. Atul Jain, CFO; and Mr. Neeraj Gupta, Head, Finance. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anil Jain – M.D. and CEO. Thank you, and over to you, sir.

Anil Jain: Thank you. Welcome all for this conference call on our Company's Performance for the December Third Quarter. As all of you are aware, this has not been easy time in general for the company due to the issues which we have faced for the liquidity. And additionally, all of us together have been all suffering from the impact, side effects or disruption caused by pandemic. I hope and believe all of you are well and everybody's family is well. We have tried our utmost best to try and maintain safety distance, social distancing, all of that, to take care of this pandemic and still run our business in India, outside India, around the world with minimum possible disruption one can manage, and while keeping health and safety of our people still as a priority, but also trying to see that we try and go out and meet the customer needs as they continue to be there because agriculture is a perennial industry and business continues despite pandemic, etc.,

So having said that, I'm happy to report that in this particular quarter of December, we, as a company, has achieved substantial growth in revenue. The growth in India, the standalone operations, which covers drip irrigation, tissue culture and piping sales has hit, in fact, domestically almost more than 50%, overall, including exports, still close to 50% revenue growth for the standalone operation in India. When I look at overseas subsidiaries revenues, they have also grown in this current quarter. They have grown a little bit less because they were already doing stable operations. But combined, I think we have grown more than 10% globally. And we have registered approximately Rs.1,400-odd crores of revenue as a consol company during this quarter. And as far as India standalone is concerned, we registered Rs.522 crores. So that's after almost six quarters of negative revenue growth, this is the first quarter where we registered significant positive growth, albeit on a lower base of October to December 2019. But growth is growth, it's positive, and we want to take it on into our stride and continue to keep moving forward so that overall March quarter we should be doing business even more than the third quarter. So on a sequential basis also and compared to the earlier year January to March, in both basis we expect the March quarter will be better than the earlier year.

Now, having achieved this higher revenue, has allowed us also to have a better absorption of fixed costs. Our efforts to continuously reduce costs also are paying off. And because of that, we have been able to significantly reduce our losses in the third quarter compared to the earlier period sequentially or YoY basis. We believe we will continue to remain on the same path going forward where there would be further better absorption of fixed cost, which would allow us to improve margins, better product mix in terms of our revenue, which we are trying to generate from the market, and also some additional continued effort to reduce the costs.

While that we may do from our side as a company, but there are some external factors which are out there. Between September and December, January, there was a significant increase in volume or prices, which has impacted us during the December quarter. But we believe, as we see at least trend recently over the last few weeks, I would say, the polymer prices have stabilized. Because if oil goes up, it is possible that polymer prices may go up further. But as of now, it seems to have stabilized. And that significant sudden spectacle rise, what you saw in those four, five months between August to December, January I think somewhat flat out. And we have made effort during this period to mostly transmit all of that incremental costs onwards, further transmission to the end customers. And I believe we have succeeded in that almost through full extent.

Now, in terms of some of our overseas markets also, especially the irrigation business overseas, our profitability is improving. Our revenues continue to rise, double-digit growth in some of our overseas businesses. We have seen like our irrigation business in the US in this quarter grew almost 24%. Then even our international irrigation business outside US grew 28% in this third quarter. So these are positive signs. So while in India, irrigation business grew 60%. Overseas, it has grown between 20% and 30%. So in those markets, especially to be able to grow so much, shows that we are on right path, we are in right business segment and we have a lot more opportunity going forward.

Now, this performance of significant amount of higher growth and continued consistent improvement possibility has also come with better, I would say, cash flow. Overall, when I look at the standalone cash flow numbers for the third quarter, for the India, we had operating cash flow-positive operating cash flow post working capital changes, so that is quite nice. And when I look at our numbers on the cash flow for the entire global consol operations, there we definitely have positive free cash flow post working capital changes on one hand and in the current quarter. But when I look at nine months numbers also, we have generated almost more than Rs.2 billion in net cash post working capital changes. So that's a positive for the business. And we intend to continue to ensure that our working capital will become even more and more efficient going forward. We are not making too much of new CAPEX. That has been controlled quite a lot by our teams and our people. So as we move forward, as the revenues come back and profitability come back with better fixed cost absorption and with the better working capital cycle, company will start generating free cash flow. So overall, that would be good.

So when I look at the numbers in terms of working capital cycle, so overall standalone India basis, our working capital cycle which was not proper because of significant reduction in sales in terms of days outstanding, (DSO), it was not really showing good positive story. There, we have improved quite a lot; In terms of days, we have moved from 600 days to 540 days. In absolute amount, there is a small amount of reduction actually in the number of total money blocked into working capital on a net basis.

So, overall improvement. As the sales will continue to grow, we would continue to see that this will go down. Within the working capital cycle especially we are seeing a reduction in the account receivable. Inventory remains similar, there's no significant change in terms of value. But again, as the sales are improving, the days are going down, that's for stand-alone.

When I look at also our consol working capital cycle, overall, absolute amount has gone down by close to about Rs.100 crores approximately in this quarter despite the fact as I said our sales have grown quite a lot. Overall receivables are down more than that. Inventory remains close, partially because of seasonality in the food business, it has gone up slightly. But otherwise, inventory and the rest of the divisions remains the same. So even when I look at consol working capital numbers, we have some amount of reduction on our net working capital, (NWC) basis, from the earlier year in terms of absolute amount as well as the days. So our mantra continues to be that we must improve and increase the revenue, but we should continue to remain more focused on working capital cycle. So that is doing well.

In terms of new investments or CAPEX, as such company has not done any growth CAPEX during the quarter, but small amount of maintenance CAPEX we have done. So last year, for the first nine months as entire company, we had spent close to about Rs.180 crores on plant, machinery, fixed assets and so on. That included growth CAPEX and maintenance CAPEX. Current year, that amount is down to Rs.61 crore. So this is mostly maintenance CAPEX, that much is required, just to ensure the plants keep running and we continue to improve capacity utilization. So I think we are saying, as such, discipline on that message in terms of conserving the cash, improving working capital cycle, using existing capacities to grow the revenue and continually work with our dealers and our market partners to improve our working capital cycle.

Now, overall debt is almost same as what it was before. There is a small amount of changes in the debt due to change in the currency and some translation of the foreign currency debt into rupee debt. But keeping that aside, because it is not material and significant, rest of the debt remains almost in the same level. As the business grows and restructuring gets completed this quarter of March, thereafter, we expect that you would start seeing certain and consistent reduction in the debt going forward while company will continue to improve the revenue and the EBITDA.

Now where did this business came from? That's also important to realize. And I'm happy to share that within India, in certain states, we had really positive growth from the retail market, states like Maharashtra, even Karnataka, Gujarat, a few other states, we are growing quite a lot in retail market where our dealers with the help of farmers are able to fund companies, products and purchases with a good demand. And we hope that continues as the upcoming season is there. There was a small amount of setback. Actually, our revenue could have been a little bit higher. Because some of the raw material like PVC resin prices were like life-time high, and that reduced some of the agri pipe customers, they decided to kind of postpone their purchases or delay their purchases for some time. And that meant there was lower sales of that particular division in that particular application. Otherwise, the revenue would have been even higher than 50%. We hope that now the season starts sometime in the next few weeks, some of those customers will come back because they need to put in pipes into their field before the next monsoon season.

Another positive has been, during this period is that we have also started doing work on some incomplete projects. So now labor is back and we are also seeing that state government finances are improving. And because of those improved finances, we can see the funds available into the project accounts. So when we do the new supplies or rest of the work for milestone completion, we know that so much of receivables will come back. And during this quarter, we saw net inflow of receivables from the project business in totality. And so some of these projects work now between March and June quarter, it seems to be taking speed. We have still a lot of incumbent projects to get completed which would happen in the current year, March quarter; next year, FY'22 and FY'23. So by FY'23, we expect to complete all the existing projects which are in hand, and also by then, we would have almost recovered all the old legacy receivables, also the new receivables which will be created during this period of time. So that's another positive outlook and the work on the projects have started, we have started moving on to milestones, and things are picking up the speed, at least in certain states, in certain projects. So we have been judicious about it, we are prioritizing certain projects in certain states. And we have been working with a lot of project authorities also, that they have given us certain extensions onto the projects because of the pandemic disruption.

So all in all, I think that is also becoming smooth, and I think you will see a large amount of implementation coming into the next fiscal year. So, retail business is improving, sentiment is better, projects, we have started to smoothen, overseas business is positive growth into markets, which are not a big incremental market, but we have been able to grow quite well in those markets. And our teams will continue to churn to ensure that we continuously increase our business there.

So right now, in terms of our overall focus, as you know, has been continuously to serve existing customers. On one hand, strengthen the dealer base. So that's an ongoing process, to appoint new dealers into retail markets so that we can continue to improve on the cash model part of the business. So that's ongoing. We continue to deliver quite well on that. And there's a lot more work needs to be done I think over the next two to three years into this area because, primarily, 85% of company sales today comes from about eight to nine states, only 10% or 15% comes from the rest of the states in the country. So our idea is while we strengthen our network into the existing eight to nine major states, which are mostly invested in Southern parts in India as well as MP, Rajasthan, Haryana, etc., but also improve our penetration in some of the larger markets like UP, Bihar, other northern states. I was talking about our emphasis on building market network and focus on building deeper penetration into partly new geographic areas and while continue to strengthening the existing network also. So that we are doing.

And as I've already spoken about the debt which is almost Rs.65 billion, which continues to remain the same. Now having spoken about the operations and the quarterly results, which have been, as I said, quite positive in terms of higher revenue and lowering of the losses or improved EBITDA margins, good geographical growth across the board, across different divisions. We continue to have orders worth almost Rs.4,000 crores in our hand. And as I said, we want to execute on these orders as we move forward over the next two years, apart from the normal orders, which we'll continue to receive from our retail customers, our dealers across the board.

In terms of overall other businesses, company's food business, food is a subsidiary, it has not done that well because if one would note that last mango season, which was May to August '20, we could procure almost only 30% or 40% of mangoes because mangoes were not available. There was huge disruption caused by the pandemic. And before that, the onion season, there was also climatic challenge there, where availability of onion was also only 30%, 40%. These are two mainstay products, onion as well as mangoes, we have significantly lost the revenue and we continue to lose that revenue now because we just simply can't produce because raw material was not available. And so impact of lack of raw material, impact of our own being in default category and having not access to liquidity and then the pandemic, where some of the demand for our end customer, the people who make beverages like juice and where people were stayed inside home, so they didn't go out, it seems it had a challenge. But having said that, it was a negative scenario. I think just in last couple of weeks, we are seeing now a lot more demand coming from our beverage customers. They are demanding more products. So, I think more people are out of their home now and they are buying these juices, etc., as they travel, thirst quencher, as something to have a delight and energy in. And I think it seems now season should go smooth as the summer comes up. And as that season goes smooth, next year, our orders will come back. And already we have been told based on preliminary service that it looks like and some of these things can change, but as of now it looks like that the next year mango season should be good. Ongoing onion season is reasonably okay. It is not as good as normal, but it's better than the last year. So overall, next year, food business also should come back to profitability. That's what we believe in and that's what we are working towards.

So this is on the business side. In terms of overall companies, the resolution plan which was being debated amongst the lenders, we have gone through various things. And in the fourth quarter, the quarter which we passed, we have received approval from two rating agencies. It's an approval called RP4, where they kind of bless the underlying resolution plan to say that whether it's viable or not viable. We have received those two approvals to say it is a viable plan. And as we speak, individual banks are now taking the proposal to their individual sanctioning authorities. And so we expect by the end of the current quarter, the whole process should get formally completed and company should be ready thereafter to start functioning more aggressively, because as a part of this restructuring plan, company would get some additional liquidity infusion through non-fund-based facilities. Some of the company's funds which are lying in certain accounts would also be released in operations. And overall, once all the stakeholders know that company has completed restructuring, their overall support, including supplier support, will also start flowing into company, allowing it to further improve working capital cycle and start improving the revenue. So we have been working hard, and we are hopeful that most likely by this end of this quarter, we should have the whole resolution financing. It's been going on for almost now six quarters to be in place. It has taken its own time, which is a lengthy and laborious process itself, but the pandemic had it even more delays to it. But I think everybody is committed. A lot of people have worked on to the plan, all the lenders are involved, and we are looking forward to get this process completed so that company gets into "normal mode" and start functioning. Even though during this difficult time, we have tried to function as normally as we can, only using the finances available from internal accruals or from getting advances from our customers, and that is how we have been able to manage to do Rs.1,400 crores revenue in the current quarter. So a lot of effort, a lot of good teamwork across India, across the world to stay on to the message, stay remain focused and continuously motivate ourselves to do better every quarter, every month compared to the earlier period, and while parallelly still working with all the lenders and other stakeholders to ensure that the overall restructuring and resolution gets completed with minimum amount of impact. When such an event happens, there is going to be always some impact on to the company, its operations, it's medium to long-term future, etc., And we have gone through a lot in last six quarters. But I think as things are happening and as things are falling in place, we believe very soon once this gets done, company will come back quicker than later and company would become normal faster. And as we have shown in this quarter, there are so many markets. We have been able to gain back the trust of our customers. That's how our revenues are growing when our dealers are sending advance to us. And after gaining that trust, now we need to continuously deliver, ensure that we can deliver products to them on time properly. So that's on the restructuring. When we talk about March quarter results, sometimes towards end of May annual audited results for FY'21, I think we will be able to talk a lot more. So I think we were talking about the overall resolution, restructuring. I think that is coming through, we are focused on performance that is coming through, we look forward to a much positive year next year. And meanwhile, we are taking various actions, and I think we can talk a little bit more details about these actions and its implications when we talk about end of the year numbers as well as the future once the restructuring is done, what we need in the long-term future for the company, which overall I believe is quite positive in terms of direction. We see definitely good demand for all our products. We have very good production capacity. We have good global quality assets. And I think this is going to help the company. This has been a challenging time to say the least. I think we have done a lot. We will improve wherever we can and we continue to improve and restore the value of the company and continue to serve our customers in India and outside. So I think with that, I can close my opening statement, and we take a few questions from interested investor market participants. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Aryan Yadav, an investor. Please go ahead.

Aryan Yadav: Sir, just one point. So this has been almost three quarters that we are actually getting to understand that the debt restructuring, most of the times the discussion is that it will be happening anytime in a month or two. But it's almost nine months now. Can you give us a bit more clarity on where exactly is it stuck and how much time at the max it may take sir?

Anil Jain: So as I said, looks like it has taken longer than it was anticipated mostly due to pandemic as well as the processes. The last normal process involved in restructuring was to get the approval of the rating agencies to the resolution plan, which has come through in the December quarter. And as we speak, the plan is to take this through board of the banks of the lenders, which is supposed to happen let's say end of February, early March. And then the resolution plan gets signed kind of after that. So based on our discussions with the lenders, everybody is targeting that we should get done by 31st March.

Aryan Yadav: And the other point is that foreign debt that we have, has that also got restructured or anything that has moved on that part?

Anil Jain: In the US, we have one of the debts where we are also discussing some kind of accommodation related to some timing of the payment due to COVID. But at another place, there is this kind of a fully loan restructuring taking overseas. In overseas, things have been mostly stable.

Aryan Yadav: Do you have any movement on the investors that you are looking for some sort of equity infusion or selling of some of the assets that you discussed in the last quarter, is there any movement on that?

Anil Jain: No, not at this stage. I think all the numbers for discussion would only start up to restructuring, everybody is waiting for restructuring to happen before those discussions can do.

Moderator: Thank you. The next question is from the line of Umang Parekh from JHP Securities. Please go ahead.

Umang Parekh: What is the retail contribution in terms of total revenue for both MIS and Pipe segment? Right now, we have focused more towards the retail segment in terms of similar products to dealers. So I just wanted to know contribution.

Anil Jain: I think if you look at the piping sales, it's mostly retail only, 90% more. And even if you look at MIS sales, the 60% growth we had, I think 75% of MIS sales are in retail only.

Umang Parekh: Sir, just wanted to know that with current, we have a gross debt of around Rs.6,892 crores. So post the debt resolution, what does this number look like on a consolidation basis? And also, what will be the finance costs look like post net as a result?

Anil Jain: I think that we have to a little bit wait for that because finance costs, I believe, based on the resolution plan, should come down substantially based on what we know on how the resolution plan is planned there. And so whatever we have booked or accrued finance cost would get reversed once that gets done. The base number would not immediately significantly change because part of the debt is going to get spread over a longer period of time, etc., But there will be some possibilities or areas where debt reduction also will happen. So I think that number, I cannot be very specific, but I think when we close the March quarter and restructuring is done, we can be more clear on it.

Umang Parekh: This reversal, what you just talk about, any ballpark number, what kind of interest cost reversal it would be?

Anil Jain: I think depending on how that goes through finally, that it would be at least for one fiscal year alone, the reversal could be about closer to Rs.150 crores. There will be additional reversal coming from the last year also '19. But let the plan get completed, right. Once it's implemented, it would be easier.

Moderator: Thank you. The next question is from the line of Ankit Bansal, an investor. Please go ahead.

Ankit Bansal: My question is, being a number one micro irrigation company, don't you think you shouldn't have been in a new situation? Sir, number company I have seen like Maruti, HDFC, they don't deliver like you are delivering. So just want a wake-up call from an investor. Second question, sir, being an investor and a business analyst, why are you not exploring the whole India in micro irrigation? Sir, come to Punjab, Haryana, where there is no scarcity of rain. Sir, go to east, you have so much of network, so much of name, such an old company from 1963. Sir, I'm not able to understand. This idea I think will turn around your company. So what are your views?

Anil Jain: Thanks for the question. I think both are important. As we mentioned, we are the largest irrigation company. That's true. We have pioneered that market, we restored a large number of farmers, improved their prosperity. We have done a lot to become #1, and we have really created value for all stakeholders during that period of time. But recently, last two years, we suffered because while trying to generate and continuously reach more number of farmers, we got involved into taking on the irrigation side, where use drip irrigation, micro irrigation only. We took a lot of projects and so on. And where the funding from the state government will not come back to us in time. And more than Rs.1,500 crores of the receivables were delayed, etc., which has caused additional finance cost, which has caused disruption, which has caused default and, therefore, we got into restructuring. So that's unfortunate part of it. It's part of a business cycle, also partly learning for us. So we are now going forward focusing more on the dealer network, and that covers your second question. As we come out of these issues, from FY'22 onwards, you will see that as a #1 drip irrigation company in India, we will again start back delivering very good growth, good return on capital, all of that on one hand. On other hand, the other question you raised about the geographical areas. In terms of northern India, you talked about Punjab and other areas. I did speak a little bit earlier today that's what company really wants to focus, build our network into the states where we're not there fully. Now you rightly said that places like Punjab, you need more water. But as long as the government is providing free water, free electricity, then the farmers don't value the importance of micro irrigation sometimes because they say, "If I save water, what is the next for me"? There are smart farmers everywhere, right, those are the smartest people, I think I have met with farmers. Now they are now seeing that micro irrigation is not just about saving water, micro irrigation is about improving productivity, lowering costs and so on. So I think you would see that next year, we would be running more campaigns and increasing our footprint or network across India in different states so that we sell more and more directly to the farmers. So what you say is right. Again, it won't happen overnight, some of the behavioral changes, some of the technological intervention take a year or two before everybody finds the necessary need for it. So I think it's a mission mode we need to do, but we have already started on it, we have already strengthened our business in northern India, currently here on a small base in our business in northern India actually 50% more than what we did last year and I think that will continue to be there. So you are right. That's where we are going, that we want to go into areas where we are not there, and there are significantly large areas and good market opportunity pockets.

Ankit Bansal: Sir, you are saying this right now. But you are an old company, why you shouldn't have been able to think it say 20 years ago, you are such a diversified, such a creative company, me giving an idea to you like this giving idea to Reliance like this thing, that's my suggestion to you.

Anil Jain: No, no, no. You're right. It's just not that your idea. I'm saying that because of that idea we want to do this, right. As I already said earlier, we already started working on it. The challenge we have faced in parts of northern and eastern India to promote micro irrigation and drip irrigation, not just us, the whole industry as such, was that normally in terms of groundwater, availability of water in so many areas is just there 10 or 20 feet up. But if you look at western and southern India, they have to go 100, 200 feet, sometimes 500, 1,000 feet to access to the water. So in those states where they understand importance and value of the water and water is less available, the farmers and the government who are supporting farmers were willing to absorb this technology in much faster way. Also, the crops, most of the crops where drip irrigation, micro Irrigation can be used are let's say food, vegetables, horticulture crops, now also sugarcane, oil seed, pulses, and then ultimately wheat, rice, etc., So for example, Punjab is mostly wheat and rice. So to apply drip irrigation to wheat and rice, it takes investment, right, it will cost Rs.1 lakh per hectare or x amount of cost. So if farmers do not have wherewithal to invest that kind of money, therefore, he will not take drip irrigation. But now, for example, a lot of research we have done on rice for the last 10 years almost, where normally when you think about rice, rice has grown in terms of inside the water. But now you can grow rice with the help of drip irrigation where you're not seeing water. So that will be something relatively new for areas like Punjab and so on. So the application of micro irrigation into these areas is not nearly my willingness wanting to do it, but also adaptation by the farmers in terms of the financial model as well as the technological absorption. So I believe, everywhere time has to come before certain things happen. So we pioneered this in India. I think we have done a lot in western, southern India, now central and part of north, we have been doing a lot of work, for example, in Rajasthan, Haryana, we have already done, we do have some rice and a few other crops. So I believe that now is the time also that parts of UP, Bihar, parts of Punjab, other areas of north, also parts of east like Odisha, West Bengal is where this will continue to grow. So this is an ongoing effort. India is a large country, it's like continent, and a lot has been done, but a lot more needs to be done, and we are very focused on it. And you will see for the next few years concrete results where farmers are benefiting from the technology and our business will continue to grow.

Ankit Bansal: You have given the clarification on number one company, but again, my question is, sir, you are just giving date-on-date and I understand no restructuring plan has yet not finalized. Sir, you are a number one company, is it good giving date-on-date like losing the investors' confidence? So this will not increase your investor confidence. I want to ask what you will do, how the investors will say, yes, this is Jain Irrigation and I will invest without seeing a single something or without listening to anybody, just going on the company's regulation, sir, what are your comments?

Anil Jain: You have partly a valid point there. The restructuring part is not in control of the company. What's in our hand to complete our efforts, all their processes, all the audit, all the detailed discussion, preparation of the plan, everything has been done, it has been approved. Now the banks have to go and get their approvals from their board, which is their internal matter, we cannot control that. It is my duty to inform investors every quarter at least in terms of where we stand and what is going to happen further. If you want, you can go and talk to State Bank and everybody else also, they will tell you the same thing. That's what they are telling us. All these banks are saying that we would like to see that by 31st March. But these are large banks and their boards. It is not my board, where I can say for sure on this day it will happen. We expect that it would happen. Also, another point of view is important is that even this delay has happened due to pandemic and all other things, the effective date for the restructuring or the resolution plan remains 30th June 2019. So this delay does not impact the overall plan, whatever the financials which were used in the plan, whether the benefits like interest reduction, etc., those will come despite the delay. But final that it is done, that can only happen after the board meetings happen of the individual lender. What is in our hand to do our part, we'll continue to do, and we'll continue to push them, and I hope that the next time we meet and discuss sometime in May, most likely would have happened.

Ankit Bansal: Just last comment. During the next con call, I want to see you as a number one company and behave as a number one company.

Moderator: Thank you. The next question is from the line of Rahul Kapur from Gold Stone Capital. Please go ahead.

Rahul Kapur: I wanted to ask you about the executive directors remuneration. I notice that last year, the directors grew about Rs.30 crores or so by way of remuneration and another Rs.5 crores by way of rent. This is despite the fact that the company was deep in losses. Though I understand that you have the necessary resolution, but what is the message to the shareholders? Even in the current year, I notice that the director is going to draw about Rs.15 crores. If I compare your company with a company like HDFC Bank or Hindustan Lever, even there the CEOs are not drawing this kind of salary. So my point is, what is the message to the shareholders? Does the company belong to the shareholders or is it being run in the family?

Anil Jain: I think that's a good question you asked. So as you know, this company was established since 1986. You asked a little bit of expansive question. So I think be patient with me in terms of I would like to also cover the whole area in terms of answering. We as the promoters of the business are one of the largest shareholders of the company, owning about 20%, 30% of the company. So this company is run for shareholders. It is done for all the stakeholders. As I said, our main stockholder always exist on the farmers and so on and company has done a lot for all stakeholders over a period of time. Right now, shareholders are suffering. And I am also a shareholder. But that does not mean we as a management are trying to take away a lot of salary or whatever that. So, let me clarify some of these issues on that count. First of all, we as promoters in fact since almost September '19, have physically not drawn any salary from the company because of the limited cash flows company has and kind of thing company is going through. So that's #1, that we have not drawn salary. Second, if you look at shareholder approvals which we have received for the remuneration factors for the family people who are involved in the business and so on at various levels, whatever we do is based on shareholder approval. Third, if you really look into the fact that overall, the packages and a lot of study was done before the shareholder approved those packages and so on compared to a lot of other similar size companies and so on, it was medium to lower level. The fourth, 80% of that approved package was almost performance-linked salary and not a fixed salary. Our fixed salaries are actually much lower. Now last year, that is FY'20, salaries drawn by others...again, as I said, we have not physically drawn them, they might be credited to account later on, has been only based on the fixed component, which is a very minimal component, and the rest which is majority which is performance-based, that has not been drawn by assuming that was not because it was linked to the profit. If there are no profits, don't get it. So that's the same last year. It would be same. Now this company has a profit or loss gets calculated based on the annual audited numbers with a certain formula under the company law. At that time, the board, the nomination remuneration committee based on the original shareholder resolution decides how much one would draw. So there is no way we as a promoter or the people who are running this business are quite conscious of what we do. Quite ethical about why we exist, we know they exist. And we do not think this is something from which we can keep growing while overall company is suffering. So what we are drawing is the minimum level of remuneration, we're not drawing which is linked to performance because performance has not been good. And whatever is being credited or debited in the book, we have physically not drawn in cash. In fact, over the last 10 years or so, whenever company was in difficulty because of agriculture nature of business, seasonality impact and so on, our promoters, one way or the other, even by pledging either our own homes or whatever else, we have raised and invested more than Rs.500 crores into the company through equity. The last time we invested into the company to maybe Rs.80 a share, this is I think '16, '17 some time. So promoters are very conscious of their role. We do not think this is something where we keep taking cash out as if it is our own need or personal system. We work hard every single day of the company. We have certain need for some amount of basic salary we need to take. But we are also running and I hope even current year maybe Rs.6,000 crores with the business and this year may still have losses. But I hope from next year, business will become profitable. So whatever we do, it is not just legal guidelines or within what has been approved by shareholders, I'm going beyond that. In terms of the spirit, we are very conscious and committed that during this difficult time as promoters we should not be drawing something beyond what is even unnecessary to manage process and in a very transparent way. That's what we are doing. So again, thank you for your question, and thank you for giving me an opportunity to clarify.

Rahul Kapur: My second question is about as part of the debt restructuring plan, would you be selling some of the businesses either part or whole? And if yes, which segment are you looking to exit either partially or whole?

Anil Jain: I think I will not be speculative at this stage. Our current restructuring plan or resolution plan first provides company as I said normalcy. It provides significant reduction in the interest cost. It provides certain time period of next five to seven years to repay certain obligations. It ensures certain additional governance and so on. So particular resolution plan does not say I must sell X or Y. The plan is focused on improving the company's working capital cycle, improving company's operations, reducing company's dependence on the government and all of that. So that is all going to happen. Once this happens and as things become stable, then for value monetization and deleveraging, which businesses we need to sell, whether to go overseas or whether parts of the Indian business, that would be something we'll be doing in consultation to all stakeholders at the time. I would not like to speculate on that. But as of now, the plan is to significantly reduce interest cost.

Rahul Kapur: My third and last question is about the overheads of Jain Irrigation over the years and I was comparing the certain overheads like travel, for instance, legal expenses for Jain Irrigation, whether be some of your competitors, and it seems that your expenditure on these overheads is much, much higher compared to your peers. So would you like to comment that in future this is likely to come down as a percentage of sales?

Anil Jain: So generally speaking, right, I do not know with whom you're comparing, whether they're domestic players or global players and so on. But not knowing that, what I can tell you, travel expenditure substantially is down in any case because of the COVID and so on. But even going beyond COVID, percentages to sales in '20 and '21 may still look higher because of the lower sales which we achieved because of lack of liquidity and lower capacity utilization, etc., So as capacity utilization goes back to the next year, you would find that travel expenses will definitely be down and other overhead. In terms of legal expenses, I think they will remain currently quite high, till the time restructuring is done because there are lots of these banks in legal process, all kinds of what is happening in India, around the world, which is somewhat expensive affair during these difficult times. In fact, when we look at our overall admin expense, what we call it, that includes, travel, administrative, legal, secretary, all of those type of expenses, I'm quite sure that when you look at that in '21 or compare to size of the company, size of the revenue, those would be in line with the market or better on '22 numbers for sure.

Rahul Kapur: Is there any hope of recovering these long overdues from certain state governments like Madhya Pradesh, if I am not mistaken Karnataka, I think some of these dues have been there for possibly about 18 months or so, if I'm not mistaken?

Anil Jain: Yes, yes, yes. See, over a very long period of time, in fact, 20 or 30 years as a company, we have dealt with governments or in this business. Money has always come, money is secured. There's a delay, right. Delay costs money also that's a different issue. But money has come, money will come. It's already started coming as I explained earlier in the call. We have had some reductions on existing project, whether it's MP, Karnataka or other zones. Some places, it is still so. But I think we expect that March to be definitely even incrementally better and next year substantial amount will come, these monies are good amounts.

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

Anil Jain: Thank you. I'm sorry for the various disruptions due to the bad network here. But overall, as I said at the start, we have a positive performance, company operations are improving, management and promoters as well as all the 12,000 people working in the company are very committed to ensure this happens, all of them are working hard to deliver good results. Some of these things like restructuring is dependent on external agencies, like banks, and we are working closely with them, they are also trying. And we hope that very soon even that part despite the delays constantly over the last past few quarters, will get done. Look, I would say because it is effective June '19, this delay while it is not good, but I don't think it has impacted company's revival in a very meaningful way. It would always be nice if it would have happened in December or September.

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