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Jain Irrigation Systems Limited

Q2 FY20 Earnings Conference Call
November 15, 2019 at 03:30 pm IST

MAIN SPEAKER:

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

Siddharth Rangnekar: Thank you, and welcome to the Jain Irrigation Systems Conference Call for Quarter 2 and H1 FY '20. Joining us today are Mr. Anil Jain - Vice Chairman and Managing Director, Mr. Atul Jain - Joint Managing Director of Jain Irrigation Systems and Mr. Neeraj Gupta - CFO of Jain Farm Fresh Foods Limited. We will commence with opening remarks by Mr. Anil Jain, following which we will have an interactive question-and-answer session.

Before we begin, please note that some of the statements made or discussed on today's call could be forward-looking in nature, and a note to that effect has been included in the presentation, which was made available on the company's website. I would now like to invite Mr. Jain to give us a brief overview of the company's performance during the quarter and half year ended September 30th and the opportunities that lie ahead. Over to you, sir.

Anil Jain: Thank you, Siddharth. I would like to welcome all the participants on this call. As we announced our results for the second quarter, company's overall business in terms of where it stands is that the overseas business continues to be stable and good, while we had a severe negative impact on the domestic business in terms of revenue as well as the earnings. When we look at the breakup of different type of businesses, the major severe impact has been on Micro-Irrigation and the piping business in India.

Overall, in terms of consolidated revenue, if we look at it for this quarter, we have done about Rs. 1,388 crore and that is lower almost by Rs. 500 crore compared to the same period last year, due to the reduction almost of the same amount in India business, where last year India business for this quarter was about Rs.947 crore and current year was Rs. 395 crore, so lowering of the numbers.

If you look at the half year numbers at a consolidated, company has done a revenue of Rs. 3,279 crore as against last year's Rs.3,956 crore. So due to the lower revenues in India to an extent in the first quarter and now more pronounced in the second quarter has impacted overall performance, let's say, in terms of the revenue.

What happened in the current quarter was kind of anticipated as we went through difficult period from every possible scenario, and also second quarter, as one knows, is usually a very lean period for company because of the monsoon period. And as all of you may be aware, in India, this year, the monsoon period was quite overextended. In fact, it has been going on almost up to now, which has been very rare. So sometimes, usually in September, you have few showers, but it is not raining all the time. We had full late September, late October and now even early November. So while that impacted partly the business in India, what also impacted was the company's imbalance in the working capital in terms of liquidity, in terms of the way facilities are structured and how our relationship with the banking system is working.

So combination of all of that affected in lower availability of the type of working capital we needed to take the business forward. And because of that lowering of the revenue, there was a direct impact on the EBITDA and the net earnings especially at the current level. And as and when, in near future, the situation reverses, we think our earnings can come back. So this is not a structural issue in terms of lower earnings. This is more of capacity utilization, fixed cost absorption issue. And as soon as we go back to higher level of revenue, more capacity utilization, and the earnings can and do come back. There was no specific reason on lowering of earning in terms of the cost push.

Overall, globally, oil prices are lower. So polymer prices are reasonably good and eventually could in fact even go lower going forward. So that's a positive on the cost side. Other costs are the power or energy cost or the manpower cost, logistic cost. In terms of manpower cost, during this period, which was a lean period, company has tried to see how we can run our businesses in an optimum way and is trying to optimize the labor force, especially, the casual labor or temporary labor we used to use, there, we have been able to optimize to an extent and going forward, one may see some reduction in the cost on that front.

Going beyond this, let's say, a general scenario in terms of the businesses, structurally speaking, I believe the second half has been stronger for us. Even though October has been very weak, as I said, especially due to rains and other issues, we hope that because rains have been so good and there has been so much of water, the ground water has been recharged now. So next couple of seasons, having access to water for farmer has been so important and now that they have access to water, it will naturally create a larger opportunity to do business for the company going forward. So that's a positive.

In terms of the government policy, government is also in the middle of operationalizing its plan to significantly increase the amount of area they want to bring under drip irrigation. So that's another positive. However, both of these positives, we need to kind of counterbalance the fact, whether farmers either have their own additional income or surplus cash for them to invest into these kind of a capital goods micro-irrigation, and/or whether they can get access to credit from the bank.

Now depending on that scenario, access to credit or having their own cash in hand, I think this kind of a demand scenario can come through. But as you know, the farmers, because of the lower income over last few seasons and lower practice of their food item have been suffering or they have a drought and now this time it was a wet drought or with too much of rain, so that remains an area of concern generally, overall, for everybody and especially for us. So while there are couples of these large positives, they need to be tempered with the scenario about farmers having their own surplus cash.

Now in terms of their access to the credit, last few seasons, this access to credit got hampered because so many state governments and so on had announced all this loan waivers. And during the loan waiver because the loan is under restructuring, the farmers will not get new loans. But I believe, in most of the states, that story is over now, because it had started 2 years ago. And hopefully, now the farmers will start getting proper access to the credit, which can help us, them to buy or make the investment decision to buy items like drip irrigation.

Also, going forward, looking at our working capital scenario, we have decided that; let us focus more on to the businesses, where we can recover our receivables faster. For example, let's do more of the retail business or the dealer business, and that's what we will try and execute in the remainder part of the year, once the demand starts picking up.

We will still need to complete the projects on hand, which we have taken from the government. So on a selective basis, we would be also doing the government business, where not only, we can recover the old receivables but also complete the projects so that our obligations are completed. During the September quarter, we did not wait for any new government projects. There could be more opportunity going forward, but we have kind of internally taken decision that we will bid for the projects only where our cash flows are secured, milestones are defined and there is some mechanism, which would operate independent of the state budget etc. which would allow us to ensure that our receivables are within the agreed time period. That type of a business, we would look at going forward, apart from completing what we have in hand.

When we spoke about the June period, as you know, we have spoken about that we want to do certain amount of value monetization to reduce the amount of the total debt, which we have. That process is ongoing. while I cannot divulge any specific details, but we have appointed necessary investment bankers. They are talking to the investors, things are moving forward. And I think in near future, we should start receiving for some of our business certain level of interest from the likely new investors. And when that happens, we'll be very happy to share that with you.

When we talked about originally that we want to reduce the debt by Rs. 2,000 crore, we have said that, we want to achieve that over next 12 to 18 months. We are within that. And in fact, because now some of our non-fund-based debt, which is working capital, has been converted to fund-based debt, like LCs now have been converted to cash credit account, our overall short-term debt has gone up because of the change in the nature of working capital facility during this quarter.

So the idea over the next 12 months or so would be also to bring that debt down by collecting more receivables, which are happening. It's not that it has not happened. In fact, between April to September, if we look at the India scenario, our sales or revenue was about Rs. 1,200 crore in India at Jain Irrigation's finance company, but we collected Rs. 1,700 crore during this period April to September. So the debtors are getting paid, but not adequate enough, because certain state governments still do not have access to the funds or there are delays, in some projects we need to do some more amount of work before overall total receivables can come back to us. Combination of these events has been there. So we are quite encouraged to say that over next few quarters, a lot of our old receivables should come back and our efforts are in that direction. There is not a single scenario or a case where I would say that we have been informed or we have knowledge to say that the money which is owed to us will not come. Over a very long period of time since our company's existence, debts to be written off has been quite good, very low amount of write-offs ever since history of company, and I believe that will be maintained. The time delay is a factor. And as I said, things are improving, but it is still going to take some more time.

So combining this improvement in working capital and receivables and coming through that over next few quarters, we would plan that from the current level of the debt, which exist now in the balance sheet as of end of September, over next 12 to 15 months, reduce the debt by approximately Rs.3,000 crore. So, that's our target. We will continue to work towards that. And anything concrete happens in that sphere, we will be very happy to share that information with you.

Another important point to be noticed has been that this delay in recovering of the receivables has resulted in some of our working capital facilities not being honored on the due date, but there are some facilities where you do not say, let's say for under facility 1, but then you can draw under facility 2. So you're within overall sanctioned limit or within overall indebtedness. Now because of that situation, since early June, lenders in India, some of them have signed their inter-creditors agreement, under which there is a process which is ongoing, called debt resolution. And this resolution process, we are fully engaged with the sake of the lenders. They have a core committee, then main body etc. And the lenders have their own advisor, company has also an advisor. So everybody's talking to each other, plan is being worked out, and we expect next week or so, some kind of a plan will get frozen, which then will go to all the lenders, their votes or approval. And we hope that as soon as possible, we do get positive response.

Now as far as company is concerned, we see this as not a long-term issue or not a structural issue, but this has been a short-term issue. But with the new regulation or the new 7 June circular, you need to start moving quickly on addressing some of these issues, and that is what company as well as bankers aredoing. We have long-standing relationship with all our lenders. We have been working quite well with them. Most of our lenders, we have been working with them for few decades. They do know our business and good future the business possesses. They are aware of the amount of assets we have and the quality of the assets company has. And overall, the ability of the company to ensure that once we get over this short-term period, we will be able to bring back normalcy into all our working capital. So with that phase, with that understanding, we are working with all the lenders and their advisors to work out a resolution plan, which is a win-win for both sides. So that process is ongoing. I think after some month, maybe by January, we can have a further update on this scenario.

In terms of other things, which are there in terms of business, as I said, this was a lean season, so there's not much to talk about either irrigation or piping business in India. But our food business is stable; especially our overseas food business is growing quite rapidly. We have turned around situation in our U.S.

business, U.K. business as we speak is also turning around, Europe business has always been stable and doing well. So overall, we remain quite positive in the food business. In terms of our overseas irrigation business as well, things are positive and moving in a right direction. We have also taken some important decision last year, which would allow us to improve our earning. The impact of that could be seen maybe by third and fourth quarter as well as the next year.

So overall,, international business is doing well, quite okay. And the direction and the scene for the international business look quite positive. In India, the businesses could have done better, but that's for the past now. Looking forward, I think the third quarter will continue to possibly remain weak because, we are still in mid-November and already for 30-40 days; things were quite slow because of the continued rains. Therefore, I really see a good pickup for the business coming most likely in the fourth quarter. But usually, fourth quarter is about 40% of our annual business. So let us see what happens this year. But with all what we are trying to do in terms of setting business right, looking at the costs, looking at efficiency, changing the working capital model, trying to get long-term funds to reduce the overall amount of debt, so that the time and focus we are spending on live risk management will go away and we can start focusing more on business development again. As all of these things happen, we think next fiscal year is going to be a far better year than the current year. Current year has been a weak year on various fronts compared to the last year, but I think next year will be much better.

And this has been an adverse time, last 3 to 4 months in every way, and we are looking at this adverse time as an opportunity to see where we can continually improve, whether in terms of operations, whether in terms of business model, whether in terms of how to get right financing for the underlying business, what do we have. But some of these things then you are unable to change overnight, it takes time, and that's the time we are going through. And I'm aware of the sensitivity of the investors. This has been a painful period, and I apologize sincerely for what has happened. That was not intended or, in fact, as you know, up to March '19, the last fiscal year, we had a positive growth. We had good profits. And suddenly, we got into this difficult jam. But I'm very confident that I am seeing signs where over next few months, we will come out of the current liquidity issues and the regulatory issues which are with the lenders in India. And as that gets resolved over next few months, first would be India operations comes back to normalcy, would be our first objective. And then plan for the next year, where we work with a new business model with lower working capital cycle, meanwhile, execute on few of the value monetization plan, so that overall debt is reduced to the plan, which we have discussed. That's what going to be our focus.

During this period of time, there have been the issues about exactly what is happening and because some of these are sensitive issues, for example, inter-creditor agreement, as per RBI, is a confidential process in terms of when we are dealing with various likely new investors, where we are looking at the value monetization, we have confidentiality vis-à-vis these entities, with our investment bankers or with entities. So as and when anything which is concrete, which is meaningful, we would be bringing back to notice of all the stakeholders as well as the investors. But all I can share with you at this stage is that, we are getting encouraging response because quality of our assets is good, the underlying businesses are strong and the investors who are coming and they're looking at businesses, do know that, we are not engaged into any kind of a fire fill here because there is a selective problem in India is apparent but our rest-of-the-world businesses are doing well and are going to do better in future.

And overall, post the September quarter, I think our net worth continued to be about Rs. 4,400 crore or a little bit less, somewhere around that. So there's a significant amount of the book value or a net worth company had. And 1 or 2 quarter of losses is not going to impact the company structurally in terms of solvency issues. Because some of the investors, in absence of a lot of detailed information, worry or there is a negative news flow about whether something will happen, where the company can go to NCLT or liquidation. But as I said, our net worth is after paying off all the liabilities, including bankers, is still Rs. 4,400 crore. Company has solid, and very good quality assets. It has 33 manufacturing facilities worldwide. So we do not expect anything like that to be happen.

Of course, under the law, if you have credited more than Rs. 500 or whatever "X " amount, very small amount, can always try and take you saying that you have not paid them in time, now you should go to NCLT, but ultimately, every lender or creditor, their interest lies in that they would like to recover what we owe to them. And most of these people we have long and beneficial relationship either with vendors or with the lenders. And in fact, if you look at lenders, on an average, our outgo for last few years on the interest and bank charges has been more than Rs. 500 crore a year.

So with these lenders, there has been good amount of income, earnings they have from us and underlying business is good and has a good future. Therefore, they can continue to enjoy good relationships with us going forward. As long as we can address this short-term issue, and there are various ways that can be addressed and that is all being discussed, structured and resolved. Again, this is a process. There are multiple lenders. There are hoops one has to go through. There are agencies that look at these things in an independent way, and everybody has to come together. That's just a process. And because this is a short-term issue, this is not the structural solvency issue; we believe that process will come through that. And there is this perception in the market about, a particular date by which this must happen. Technically that is true by circular, but for any reason, if it does not happen on that day, does not mean next day morning, everybody has to go to NCLT. That means, some of the lenders might have to do some additional provision, if it does not happen by that time. I'm not saying it will not, but I'm just trying to explain what does that mean. But however, during this period of time, either company is able to bring down the irregularities or company can show meaningful progress on value monetization, so it is in the interest of the lenders to see that the resolution plan comes through quite well and then everybody is happy.

So I believe, with the kind of scenario we have, the resolution plan should be in place sooner than later, because this is being done with close engagements with the lenders, as I have said. So company has enough production capacity and good level of technology. We are, in fact, ahead on technology compared to most of our competitors and peers in all businesses which we have. We still have very strong overseas business ongoing. We have stable food business ongoing. And the challenges which we have faced since April, during last 6 to 7 months. On the India business, we expect December to March should be a better period thanthe period we have seen between June to October. And with that positivity coming back into the sales, into the market that would allow us to address also the issues and being felt by our lenders in India or the bankers.

In case of the bond, I would like to state that we haven't had any delay in repayment of the coupon to the bond. Next bond coupon is due in February, and we believe our overseas subsidiaries will be able to generate enough cash flow to see that payment, which falls due next February, would be paid on the due date. So we do not expect any issues there. The main principal payment of bond is due only in February '22. So again, on the bond side, there are no defaults, no delays. Everything is okay there. We need to work on some of the issues because in this particular quarter now, our EBITDA is lower, revenues are lower, and interest has gone up. So we need to look at some of the covenants, which we have, and work with the bondholders as well on that part. But in terms of financial obligations, we have these bonds, because bond is a large liability 200 million USD. Up to now, we haven't had issues. In the August month where the payment was due for the bonds, which was paid by the company on the due date.

In terms of our global relationship with the customers, in food business, with our global customers, it has continued. We haven't lost a single customer of repute or of a size or where we have a long-term relationship. We have been able to also, same way, retain the relationship with our customer base in India, either the institutional customers or our dealer base. Of course, everybody has been concerned during this period of time, what is happening with the company. They see the negative news flow; they see the lower share price. All of that, nowadays, the world is fully wired 24x7. But we have been able to engage with all the stakeholders to an extent we can, while trying to focus on business, trying to put the whole thing back on rail again to convey to them, that underlying business remains solid.

Our value proposition of the company has not changed, while we have intense short-term pain or disruption to our overall business, which we think we can overcome. But this particular quarter, because of this lowering of the revenues and the earnings as well as the changing of the business model, which we have done, there has been also negative cash flow.But we expect on whole year basis, for the 12-month basis, that situation should improve.

Company is right now more or less only doing on the CAPEX side, mostly maintenance CAPEX. We have not really invested into growth CAPEX anywhere. We are also trying to optimize some of our investment in terms of capacity rationalization between overseas plants and plants in India. That process is also going on.So overall, money being spent on, I would say total CAPEX is lower than the depreciation, which we have. If you look at for the first 6 months, the total money spent on maintenance CAPEX is about Rs. 130 crore, while the depreciation and amortization has been about Rs. 170 crore during the same period, and we do not expect that to change during the remainder half. And as I said already, company has good enough production capacity to continue to grow.

In terms of where company is going to go and move forward, working capital facilities are crucial for the company. But the structure, which we have today, does not jive well with the underlying business model we have or the cash flow structure we have. So the whole process of resolution is not just to see that how quickly we are able to repay the bankers under a given facility, but also change the nature of the facilities, so that we won't face the situation in future because our business does get impacted by climate change, seasonality, government policy or acts of omission or commission on behalf of the government or government-led agencies.

So knowing that, I think, going forward, the effort of the management is to build the cushion by reducing the debt and changing the nature of the working capital facilities, so that we will have a cushion that, even if things go wrong, because of either government, climate or weather, then we are still able to ensure that we are able to honor all our obligations and run the business within the framework and the budget, which we have agreed upon in any given year.

So that's what our current focus is. And as I also said last time, but it's a thing worth repeating in the current environment is that, our company has been in existence for a long period of time. We have served millions of farmers. Company is a leader in terms of technology; scale, worldwide into the lines which we operate. The entire team, the people working inside the company and associates, almost about 12,000, are quite enthusiastic. They're quite engaged in ensuring that we come out of these issues and go back to normalcy of business. But at the same time, they understand that we need to go through a change period and change of business model, which would allow us to create more sustainable business for next decade plus. And then, once again, we review, because things are changing quite rapidly.

During this period of time, we have continued to invest our time and effort to build better products. We are trying to optimize our hectic solutions in terms of the digital solutions, which we are providing to farmers because that bodes very well for the future. We already have an advantage through the few acquisitions we have done in the past and we are continuing to work on that. We are utilizing this time period or lean season to rebuild our relationship, especially with the dealer distributors in India. Right now, we sell more in 6 to 8 states in terms of retail network, but the idea over next couple of years would be to build this network in double the number of states. And with the dealers we always have much lower working capital. So I think that is another thing we are spending our time and effort on as a management.

And third, we are also trying to see the project business, while we cannot take new projects where, payment period would be longer, but we should only look at the projects where the milestones are clear and the cash flows are secured, including some of the export projects under the government of India, line of credits to certain African countries etc. So those are the things we are continuously focusing on. We are also increasing some of our efforts to increase exports from India and spending some amount of resources because, again, in some of these direct exports, which we do with the direct customers, payment terms are better, margins are okay. And there is no involvement linked to the government business there. So that's also ongoing.

So as I said, maybe there is a current quarter, December quarter would be another weak quarter. I sincerely hope, with all what I see and we are trying to do, our fourth quarter will be much better than the second and third quarter. But I'm quite confident, that next year it's going to be definitely far better than the current year in every sense. So as a management, while we are grappling with some of the challenges in India, different audits and agencies, the resolution plan, changing business model, changing the working capital structure including the credit lines working, ensuring that we continue to work on value monetization plan, work with our investment bankers, incoming investors, the data, which everybody needs, continue to run our overseas businesses in a normal way, continue to support our food business for its growth. All of that is going on.

As the clarity emerges over all of these short-term issues, over next few months, I think by March, we might would be able to unveil for the benefit of all our stakeholders, that hereafter, how the company should be. So should we have more separate companies because this whole scenario of the conglomerate is not working out and there is a discount to that in terms of shareholder perception? While food business is already a separate subsidiary and we are going to take next logical steps in that business going forward, whether in terms of our other businesses, what are the ways we can do, that is also something we are looking at. But right now, our focus is to bring back stability, bring back the level of revenue which we have in India. So that business is back to profitability. So that's our first focus.

Second focus is, get the business in terms of current, whatever borrowings which we have, get them that they are rightly structured to suite the underlying cash flow. The third is, definitely ensure within the original announced period of 12 to 18 months from the June, that we are able to reduce the debt, we said we will reduce. That's another objective. And fourth objective is, continue to modify, refine the business model, to improve the working capital cycles. While you will see that our working capital cycle or DSOs have gone up during this quarter of September, but they have gone up mostly because sales are down. So DSO is in the context of the ratio of sales versus outstanding and because sales are significantly down, automatically, the DSO has gone up, but in absolute amount, there is no dramatic change, in fact inventory is somewhat better than we had same period last year, despite the fact that we have much lower sales.

So as we collect all these old receivables, things will improve there. So this is where our company is working on, and we think that we are getting good response from various stakeholders in this process. It is not easy process. It's a painful process. But again, I believe the validity of the assets, we have intrinsic value, which were built in each business is substantially far more where people feel, let's say, we have issue with the smaller part of our working capital facilities but I don't think that issue is such, that it can impact the whole future of the business. It is creating a short-term disruption for sure and it is painful. But I think we will get over that working, especially with the lenders and other creditors, but also working internally with the business model, our customers, dealers to see that we are really able to create a different way of running the business, where cash flows and quick collection of receivables becomes very important on one hand.

And on other hand, over last 5 to 10 years, we've invested lot into production capacities, new manufacturing plants, and latest possible technology. And I believe, last 2-3 years have been soft, especially in India, due to the continued challenges into rural parts of India, but that also go through cycle. Maybe that negative cycle is bottoming out and as we start moving into positive cycle, maybe from next year, company would also be ready in terms of production capacities, product lines to go and service the demand in a manner again where cash flow will remain important for us in that sense.

So this is where we are. Another question, I would like to address is that some of our shares have inflation that is announced. We continue to work at a promoter level, with our lenders as well, to ensure that those relationships are maintained. Promoters are also engaged to try and see how we can reduce that debt itself so that the amount of the pledge will come down. But the debt, it will take some time. It won't happen overnight. So while that issue is also of a concern to us at a family and promoter level, we continue to address that issue as things are evolving. And as and when there's something more to talk about that, we will come back and let the market and the investors know what the progress on that as well.

But again, intention is clear that maybe next this similar period of whatever, 15 to 18 months, we want to ensure or make a very serious effort to eliminate or significantly reduce the promoter level, family level borrowing so that the pledge on the shares can be removed. So that's our stated intent. In fact, in terms of where we want to grow on that side. During this process, we continue to work with our board, with all the independent board members. They have been very supportive of the company's efforts on value monetization. They are very supportive of the underlying business model, which we have, but they would like to see also that this current situation get resolved earlier than later. And as a management, we continue to work with the board, to see that all these things also can be addressed as soon as possible.

In terms of another issue, which we still need to address, has been around the dividends. In the last meeting, which we had with the shareholders, we had no concurrently available from the lenders, so that we can pay the dividends. Some lenders had created objections, as a part of this resolution plan, which is still being discussed with lenders, hopefully, over next few weeks, we'll get clarity from lenders, whether and how, they will be amenable to do this or they may continue to say no to this. We will come to know about that, I believe, sometimes in mid-December and at that point of time, we can communicate in relation to that issue because that is one of the pending issue, which is there on our side.

So this is where we are as a company in terms of products, in terms of market. We are going through a difficult and a challenging time. But I think, July to September was one of the most difficult quarters, if I think about history over last 10-year period or so. Current quarter, I already see a sense, things would be somewhat better. But I think, the fourth quarter, or January to March, should definitely be much better than these 2 quarters.

So friends, we'll continue to work on this. This much I have from my side, and we continue to work hard to see that we bring back company to normalcy and back to profitability and back to a good level of debt equity, debt-to-EBITDA scenarios and free cash flows etc. We already see that definitely happening for the next year. But for the current year, our target is that fourth quarter should be a far better quarter than these 2 quarters.

And with that, I would like to finish my statements. There are still few minutes left. We can take couple of questions. Beyond that, if you have any additional questions, please you could e-mail to us, and we would like to see that, we will answer those questions quickly and we will continue to communicate with you through various other forums, whenever possible. And again, I would like to sincerely thank your support and general positive support company has received from the market. Thank you.

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

Lucinda Zhou: Thank you for the presentation and this is really much appreciated because, as investors, I think we have had a long period of not much access to the company. So I think more frequent communication would be very much appreciated. I think this is what I have to say as a fact. So two questions from my side. First of all, I would like to understand your current receivables situation. How much is outstanding? And the timeline that you'll be collecting them? Second question is given the current situation of ICA being formed, or how will it actually affect offshore bondholders, because from some of the news that we have been reading, it seems like the onshore banks are taking some form of restructuring, lowering of interest rate and extension of maturity. So given the current discussion, are they okay with offshore investors being sort of out of this whole situation? So that's the two questions from me, yes.

Anil Jain: Thank you for your question. And as you rightly said that we should communicate more frequently, we will definitely make that an attempt. In terms of overall accounts receivables, which are there in terms of standalone and consolidated, receivables for end of September are about Rs. 3,152 crore, which were end of June about Rs. 3,092 Crore and end of March about Rs. 3,000 Crore. So let's say, if you look at within March and now, there is no substantial change in the level of receivables. And this I'm talking of the consolidated numbers for the whole company. And as I said earlier, if you just focused on India, between April to September, we sold total collection of receivables was about Rs. 1,700 crore or 17 billion receivables versus our sales of Rs. 1,200 crore. So during the 6 months, we collected 5 billion more receivables than we sold. And we think between now and March, that situation will further improve. Now some of these receivables are like normal receivables. Some of them are the delayed receivables, right? So the delayed receivables, I believe, compared to normal, are to the tune of this Rs. 7 billion to Rs. 8 billion under various governments for various reasons. And as things evolve, , over next few quarters, we are quite confident of working to ensure that these do get addressed. Again, we don't expect any significant write-offs. The delays have been there, but we should be able to recover these.

The second part of your question was about the ICA. ICA is an ongoing process. ICA is focused on the short-term impact we have around the working capital facility. ICA and the whole resolution, as of now, are based on what is happening with the lenders in India in terms of working capital facilities as well as the term lending facilities. But the ICA has nothing to do with either overseas borrowing or with overseas lenders. It is focused only on what is happening in India. I think it answers that question that ICA has nothing to do with overseas investors, overseas borrowing or overseas lending.

Lucinda Zhou: Just a quick follow-up. So just could you clarify the government receivables? As of now, it's 7 to 8 billion?

Anil Jain: Now overdue receivables are 7 to 8 billion. Total government receivables under various forms which are linked directly through the government are about 17 billion.

Lucinda Zhou: And do you have a breakdown of that, which is the largest exposure to which states?

Anil Jain: So again, we have different states. In no state government, we have more than, 3 billion exposure, highest exposure to any individual government is 3 billion. And lot of our outstanding is in Southern part of India. We have much less in Northern part of India; let us put it in this way. And we are working very closely with all these individual state governments. In some places, it is our receivables because of the specific projects. In some places, the entire industry, the payments have been delayed because overall government cash flows have not matched the spending or their commitment. But what we have seen recently that government of India has got engaged itself to solve this issue. And the Government of India is working along with NABARD, which is apex agriculture bank, to provide funds to the individual state government, so that they can start releasing funds to the industry. So that process is also on at that level. And I believe, hopefully, by fourth quarter, we should start receiving some of those funds.

Lucinda Zhou: Then just, one last question on these receivables, from what we have seen in some news reports that, that some audit being done as requested by bank on these receivables. What is it really regarding?

Anil Jain: So the company has these receivables from the government. And the working capital lenders, in fact, every quarter, they do what is called, in India, when they lend new facilities, they do their stock audit. So stock means, they look at inventory as well as receivable. So this is an ongoing process. It is always done. So there is no particular separate stock or receivable audit. We have at 1 audit done, 3 months ago, but I think it was effective March or June. So now that we have a September quarter, they might get another one done for September quarter.

Moderator: Thank you. The next question is from the line of Amit Agarwal from Elara Capital. Please go ahead.

Amit Agarwal: So my question was that, again, because you don't disclose the specific numbers for overseas subsidiaries, it's difficult to advocate it accurately. But when do you expect the overseas businesses to become profitable or generally positive cash flow because if I look at the numbers, I get the impression that they were also not profitable this quarter.

Anil Jain: So see at the operating levels, they are definitely profitable, the overseas subsidiaries, whether it's about irrigation or the food and they're able to cover, in fact, their own interest, which is required to run that business. But when we combine the overseas subsidiaries, the interest which we pay on this 200 million USD bond goes into because it is in one of our holding entities, that gets captured under the overseas, while good amount of the bond funds were actually had come to India when we have raised these bond funds in September. So at the individual level, I can assure you that overseas entities, at operating levels, are profitable at a net basis. And in fact, this year, as I was saying, we've taken a lot of steps, like we closed one plant in U.S. or we did lot of rationalization of the capacities and we are ongoing continue that process, and effects of this would be far better margins in the coming year also. But right now, overall, on combined basis we have14 or 15 entities, 1 or 2 smaller of them may not be positive on a net basis, but most of our major entities are positive on a net basis at overseas subsidiaries.

Amit Agarwal: And just a follow-up question to the earlier question from Lucinda Zhou. The impact of ICA. What is the impact of this ongoing negotiation on this overseas subsidiary, their cash flows? Or how that gets assigned to repayment of bond paying coupons?

Anil Jain: No. Overseas subsidiaries from their cash flows will pay the bond coupon, as they did in August. The signatories to ICA are the lenders, which come under RBI, right, because this is RBI circular, which is mostly Indian banks or banks operating under the RBI license in India. Some of the term lenders because they have lend to India parent balance sheet would also get involved because when the working capital bankers are looking at cash flow and how this cash flow should be directed, they will get affected. But ICA does not, and I repeat does not at all get involved anything to do with our overseas subsidiaries, how they are run, what base they have and where those cash flows are. They can definitely use those cash flows what they have to service the bond, service their own need.

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

Anil Jain: I would like to thank all the participants. And as I said, there are these some of the issues we are working on like this long receivables, it has taken long time. But I think, you will see that over next few quarters, we'll definitely achieve it. Company has a good order book in hand about Rs. 4,500 crore still, which we need to execute in the right manner over near future. And as the season starts, our normal demands also should come back. We need to set right working capital cycle by improving our own business model, by working with the lenders in India, especially as they work through ICA, and we'll continue to focus on overseas subsidiaries where we're making certain changes to improve their profitability. And as I said, they are profitable on their own. However, the bond interest, which gets debited to generally holding entities that, gets captured into overseas subsidiaries. If that is separated out, I think, overall overseas subsidiaries have been profitable. And in fact, this quarter, some of them were growing 8%-10%.So in the economy, growing 1% or 2%, that has been a good positive show. So again, thank you all, and very soon, I hope, once we have more concrete, positive updates or whatever, we will come back and do more communication with all of you. Thank you.
