Jain Irrigation Systems Ltd.
Small Ideas. Big Revolutions.®

Regd. Office: Jain Plastic Park, N.H.No. 6, Bambhori, Jalgaon – 425 001. India.
Tel: +91-257-2258011; Fax: +91-257-2258111; E-mail: jisl@jains.com; Visit us at: www.jains.com
CIN: L29120MH1986PLC042028

JISL/SEC/2024/05/B-2/B-6 — 20th May, 2024

To,
BSE Ltd.,
Corporate Relationship Department,
1st Floor, New Trading Wing, Rotunda Building, P. J. Tower, Dalal Street,
Mumbai - 400 001.
Fax No.022– 22723121/22722037(Day) 022-22721072 (Night)
Email: corp.relations@bseindia.com

To,
National Stock Exchange of India Ltd.,
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (East),
Mumbai - 400 051.
Fax No. : 022-26598237/38
Email : cc@nse.co.in

Ref : Code No. 500219 (BSE) & JISLJALEQS (NSE) for Ordinary Equity Shares
Code No. 570004 (BSE) & JISLDVREQS (NSE) for DVR Equity Shares

Sub: Transcript – Q4 and FY2024 Earnings Conference Call.

Dear Sir/Madam,

Please find attached herewith transcript of **Q4 and FY2024** Earnings Conference Call held on 18th May, 2024 at 3.30 pm.

Please take the above on record and acknowledge.

Yours faithfully,
For **Jain Irrigation Systems Limited,**

AVDHUT VASANT GHODGAONKAR

Digitally signed by AVDHUT VASANT GHODGAONKAR
DN: c=IN, o=Personal, title=0699, pseudonym=4167080bde284ad9af87511f13c3ee2e, 2.5.4.20=b8f331f512bd03de8efff4b3f64d135cb46f74c58815e29edee5911bcc3ffd61, postalCode=425001, st=Maharashtra, serialNumber=824384b5181cddb68de057dd1684b25fa216f2a759e9d36733bf5121ce2a601c, cn=AVDHUT VASANT GHODGAONKAR
Date: 2024.05.20 15:55:08 +05'30'

A. V. Ghodgaonkar
Company Secretary

"Jain Irrigation Systems Limited

Q4 FY '24 Earnings Conference Call"

May 18, 2024

MANAGEMENT: **MR. ANIL JAIN – CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR – JAIN IRRIGATION SYSTEMS LIMITED**
MR. BIPEEN VALAME – CHIEF FINANCIAL OFFICER – JAIN IRRIGATION SYSTEMS LIMITED

MODERATOR: **MR. KARAN KAMDAR – DRCHOKSEY FINSERV PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Jain Irrigation Systems Limited Q4 FY '24 Earnings Conference Call hosted by Dr Choksey Finserv. 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 any assistance during the conference call, please signal an operator by pressing star then zero on your touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Karan Kamdar from Dr Choksey Finserv. Thank you, and over to you, sir.

Karan Kamdar: Thank you. Good afternoon, everyone, and welcome to Jain Irrigation Systems Limited earnings call to discuss the Q4 FY '24 results. Today, we have on call Mr. Anil Jain, CEO and Managing Director and Mr. Bipeen Valame, Chief Financial Officer.

We must remind you that the discussion on today's call may include certain forward-looking statements that may involve known and unknown risks, uncertainties and other factors and must therefore be viewed in conjunction with the risk that the company faces. Future results, performance or achievements may differ significantly from what is expressed and implied by such forward-looking statements. Please note, the results and presentation are available on the exchange and our company's website.

I now request Mr. Anil Jain to take us through the company's business outlook and financial highlights, subsequent to which we will open the floor for Q&A. Thank you, and over to you, sir.

Anil Jain: Good afternoon, all. Welcome to Jain Irrigation Q4 and FY '24 conference call. Overall, company's revenues are up compared to the last year by approximately 7% for the whole year, out of which there has been a reduction in the project business, which was already pre-decided that we are unwinding the project business and slowly that will be stopped. If we exclude the project part of the business, the remaining business, in fact, grew almost close to the retail business, which is where we are focused on, grew close to 25%.

Overall, company's EBITDA has also grown considerably at a higher level than the revenue growth. So that shows that the quality of earnings overall have improved. In terms of what we could achieve during the year and what we could not, compared to what we have spoken earlier, I think our focus on retail market, building up the dealer’s business is paying good dividends and consistently, the retail business is growing, while the government business is coming down.

And that would mean going forward better and better, more free cash flow because this business would not require too much of investment into working capital as that business grows. But meanwhile, we need to still focus and bring down the receivables, which are locked in the various pending government business. And we believe that FY '25 shall be the year when the considerable reduction could happen.

Our target, I think, over the next 12 to 18 months, approximately, is to bring down the government project receivables almost close to about somewhere between INR600 crores to INR800 crores on a net basis because we'll still be doing some amount of project business, as we complete the remainder of the projects.

So just to quickly look at this, FY '23 project sales were INR732 crores. This year, FY '24, they have been INR321 crores; and next year, they will be down to maybe close to INR270 crores. So that will go down. And the receivables, in FY '23, were INR900 and odd crores. They came down to INR894 crores in FY '24. And as we do this recovery, as I said, over 12 to 18 months, the receivables are expected to be down to close to about approximately INR400 crores to INR500 crores level during this period.

And this reduction in the receivables and the cash flows coming from them would straight go towards bringing down the leverage in terms of repayment of the bank term loans, repayment of the NCDs under the agreement with the banks. And that way, deleveraging would become possible from this side.

Now beyond that, the retail business, which we will do, as I said, while it will not -- the growth which we expect -- as we did 25% similar growth, but let's say, definitely north of 20%, that level of growth into the retail business can be achieved almost with no further investment into receivable side. We might have to increase some more inventories towards end of March '25 because '26 would be one we expect a better year.

Because in current year, there is still some kind of elections are happening now. And in October, there is additional elections in states like Maharashtra, which is a very important state to us. So we expect '25, '26 to be even better. But '25 will definitely be much better than '24 in any case.

So we, as a company, are moving in the right direction in terms of where we wanted it to be. We are, I think, a little behind on bringing down the debt or deleverage than what we had spoken about because of the delay in still completing the projects and getting money back. But over the last 1 year, a lot of things have happened. So I think we are coming to a position where we feel fairly confident that FY '25 would be the year when most of the projects we will close and also recover substantial parts of funds, which can be used for deleveraging.

When we look at other businesses a company has and the breakup of different businesses, when we look at the AgTech business, which is agriculture input business, drip irrigation, biotechnology, Tissue culture, all of that grew -- if I exclude project, that still grew 19% on the retail side. So that has been a positive growth. And if I look at within that Tissue culture business grew faster than the Drip business. Piping businesses have generated all along quite a good number in terms of the significant growth and revenue and even better growth in terms of the level of profitability, which we have achieved.

So that shows that, that business has become more stable, more predictable, and more profitable. And I think next year should continue in the same mode. We have won overseas business, which is partly India and partly overseas, which is part of the Plastic division, the plastic sheet business and that is also doing quite well, if you look at the breakup, which is available under the investor presentation, which we also shared.

Now when I look at whatever EBITDA, which is much better EBITDA than last year, which we have achieved this year, where it has been deployed that some of that has gone into overall capex. But as a company-wide, the capex -- global consol capex has been close to about INR225 crores and depreciation is INR242 crores, so slightly lower than the depreciation has been the capex.

Most of it is maintenance capex. Small amount is growth capex. And we expect similar trend for the FY '25 on that account. If I look at overall debt profile of the company, the debt at JISL stand-alone India, in fact, has come down, but there were additional debt for the working capital and balancing purposes in other businesses.

So overall debt has remained more or less in the same range compared to the last year. And debt is, as of now, approximately INR36.6 billion on a consol basis, out of which about INR10 billion is long-term debt and remainder mostly is working capital debt. But 0% NCD is another INR6 billion. So INR16 billion is long term and close to INR21 billion, I would say, is working capital debt which company has across all businesses which it has.

When I look at the working capital cycle, we are seeing that in terms of days outstanding against sales, overall, there was an improvement compared to the earlier period in which we have been operating. So working capital, DSO, especially India, which is where usually the working capital cycle has been very long. So in March '23, we were at 250 days net working capital cycle, we are down to 235.

So that's an improvement by 15 days. And as we move towards '25, with significant reduction in the receivable on the project side, this would, we believe, dramatically go downwards in terms of overall utilization. If I look at consol basis, overall, net working capital cycle is up by about 12 days. But partially, that is because as company has become more financially stable, secure, we have been able to make a lot of stress payables, etcetera. So overall, inventory on consol basis used to be 121 days last year. It has come down to 117 days now, and receivables are almost at same 119 to 121.

So this increase of 12 days at net working capital cycle, from 176 to 188 days, is linked to more reduction in accounts payable, which was required so that company can start enjoying better purchasing power, etcetera, and that is getting reflected into higher level of EBITDA level profitability for the company.

In terms of other overall developments during the year, we have got certain amount of equity infused in the company during the year, which time to time we already informed all the investors in the market. One of our associate company, where we own 49% equity share called SAFL, was an NBFC, for which, over a period of time, the company had issued corporate guarantees, etcetera, to the tune of INR100 crores, but as of last week, SAFL has repaid all its liabilities.

So whatever the debt they owed to the banks or other lenders including some listed entities have been fully paid off. So that's a good thing because it avoids any likelihood or even small chance of any cross defaults, plus it cleans up our balance sheet to take away this corporate guarantee overhang, which was there. So that's another positive thing, as we move towards a company with strong cash flows and overall much less leverage going forward.

Now if you look at general overall other ratios, I think debt-to-equity ratio has further improved. The stand-alone business, India business, we were able to reduce, as I said, debt by almost INR375 crores. And recently, CRISIL has also reaffirmed long-term external credit rating at investment grade at about BBB minus.

Now when I look at the type of the business, which we are in, in terms of retail business, which is where we are focused, we have grown 25%, it's broken into the drip sprinkler business and piping business. And piping, in fact, had an even higher level of growth than the drip during the current year. And we expect the market sentiment for that business line is still quite positive so that we can maintain high level of growth into that business. And as we further utilize our capacities more efficiently that could also mean more efficient earning potential out of that business.

Drip irrigation business is linked to partly the seasonality and monsoons, as all of us are aware. But -- and this time, the IMD has forecasted that monsoons are going to be good and timely -- both adequate monsoon and timely monsoon. That is one has to wait and see, but that's what has been projected.

So typically, if there's a good monsoon for the next 4 quarters thereafter between, we should get good business because farmers have access to water, they can irrigate their farms. Also, that means overall, there is a less worry in farmer's mind because if adequate rain means good crop output. And so he tends to invest more in such years. So all in all, good monsoon would mean good business for us.

It may happen that because if there's a lot of monsoon in a given quarter, which is July, August, September, we might have a subdued second quarter results, but that would mean actually a little bit more business in quarter 3 and quarter 4. So all in all, I would like to say that good monsoon would always be good for us. But there is, let's say, delayed monsoon about 15 or 20 days, there could be additional demand during those 15, 20 days. But medium to long term, I would always say that good monsoon is good for overall business company faces.

So in terms of where we stand as a management going forward, we have 3 priorities in our mind. One, definitely, totally wind down this government business and recover the maximum receivables. As I said, next 12 to 18 months, INR600 crores or INR800 crores receivables should be received back in our account, and that should go towards debt reduction.

And whatever are the remainder receivables linked to some of the old and some of the business -- remainder business we will do in the current year. All of that should be definitely covered the next fiscal year. So that way, by -- before March '26, all the old government receivables, including new ones, which will get created in the current year, will be totally extinguished. And that should help, one, bring down the overall balance sheet size, reduce the debt, improve return on capital employed.

So that is 1 major focus we have. Second focus we have is traditionally, we have been a comparatively strong presence in retail market where we sell to the farmers, to our dealers, etcetera, in western and southern parts of India. And we are in the process of further strengthening our distribution and dealer network into this market.

But we are also -- as we have spoken over 2 years -- last 2 to 2.5 years, that we are also expanding into other regions. And that is showing some good results. But it is always a 2- to 3-year scenario before you can establish yourself into the new market -- new geographical market.

And I think this year, that should provide us good dividends and we should be doing comparatively much better business in places like UP, Rajasthan, Punjab, Haryana, these kind of states. But also additional business in existing states like Karnataka, we expect to do much better. Maharashtra, except the fact that there is another state level election in Maharashtra later this year, but keeping that part aside, overall Maharashtra always is a good state for us to grow. We also expect additional business post stabilization in Andhra, post these elections.

And our business is also likely to grow in Gujarat. So that is the geographical location where businesses we are focused on. So first is the government receivable and winding down the government projects. Second is continuously focused on increasing the retail distribution and improve the new geographical areas where our brand in organized sector should find a good level of customer base because otherwise, in agriculture, everywhere, Jain Irrigation is very well-known brand.

The third part of our focus in the current year that one of our subsidiary which is the food business, also should be taken to the next level in terms of growth and profitability. And there, in the current year, we are anticipating -- the FY '24, we grew only, I think, 5% or 6% single digit. But we will be expecting to grow next year in the food business double digit.

So instead of 5%, I think our internal targets are closer to 15%. But sometimes, this revenue is linked to the actual prices of commodity like mango or banana. If prices of the commodities are low, then our revenues become low, but quantities will surely grow at 15%-plus in terms of what we sell. So that is expected to be positive. And our overseas plastic sheet business has been doing well. And we hope that in post COVID that business, the way it has come back -- come out strongly, should continue to become more stronger going forward.

So this is where we are as a company, and we are looking forward to a good year, FY '25. And generally speaking, for all product lines, we see the environment is conducive for the growth. In current year, as you can see that maybe upfront revenue, it seems only grew 6%, but that was primarily because of a reduction in the government project business, which was kind of there, but the retail business grew 25%, which is where we are really focused on now.

So this is where we are as a company. And now after this 20 minutes opening statement and information, I would like to request the organizers to open the floor for any questions investor might have. And before that, I would like to just thank everybody that even though it is a Saturday, whoever has been able to join, we really appreciate the fact that you're spending some time with us on Saturday. Thank you.

Moderator: The first question is from the line of Sanjay Kohli from Gold Stone Capital.

Sanjay Kohli: Sir, congratulations, this has been a very strong quarter in terms of operations. We did a quick back-of-the-envelope calculation and this March, please correct me if I'm wrong, the EBITDA margins are quite strong at about 12.9% compared to the previous March quarters being quite strong. Now, sir, the other encouraging thing is that for next financial year, you've clearly set a road map of reducing the leverage because right now, when we were just discussing amongst ourselves, basically, you're saying that we have been working for the bankers for far too long now. And the time is now should come when the owners of this business, and so much of hard work is going into it, must start enjoying the fruits of that hard work. So if you can just sort of expand on this? I think you have already covered it in your presentation, but...

Anil Jain: Thank you. I agree with you wholeheartedly, right, that the direction definitely has to go towards deleveraging. But it's not just about deleverage and getting the benefits to the shareholders, but it is also definitely focusing on creating substantial long-term value because with the very strong brand, the innovation, quality, R&D what we have and product range, I think going into individual district, individual tahsil, developing that dealer network will keep -- once that it is there, then we can do this larger amount of agriculture-linked businesses or inputs, which we can provide to farmers.

So it would keep on generating positive dividends for the company in that context. That's what -- so we are -- last 2, 3 years and as we speak, we have been transforming the company in terms of its business model. It may not be visible directly because still some legacy issues of this project, etcetera, is still on the books. But I think post March '25, it will become crystal clear. There would be kind of a breakout where you will see a very different company in terms of quality of earnings because of the free cash flow generation and overall growth, which we are looking forward to. So management is very clear that deleveraging must happen, and the growth should be funded through internal accruals.

Sanjay Kohli: Okay. So just a follow-up. So the noncore assets which are there in the company, which are significantly and don't yield much, can we in times to come, see it get more information, more qualitative analysis on it? So in the way the noncore assets itself are generating a lot of value for the business, a more detailed commentary on that in the financial statements or the annual report. I mean this is just a suggestion so that we get to sort of track what is going on with the low-yielding assets of the company.

Anil Jain: I think at the next possible opportunity, maybe September quarter, we'll give more detailed commentary on that part.

Moderator: The next question is from the line of Madhur Rathi from Counter Cyclical Investments.

Madhur Rathi: Sir, I wanted to understand our guidance -- full year guidance of 15% to 20% growth and a 4-digit EBITDA margin for FY '25. Is this on track or due to elections as well as some kind of pricing pressure in the piping segment, as one of our competitors has guided, so do we see this to be muted than what we had expected?

Anil Jain: So I think the revenue growth guidance and the 4 figure in terms of EBITDA for FY '25, as we see things today, unless there is a substantial change due to the election outcome, we do not note that today. But otherwise, in terms of our internal budget, our preparations what we know and feel from the marketplace, feedback from our dealers as well as customers, we feel we are on track for both of those things in overall totality.

Madhur Rathi: Okay. Sir, our EBITDA margin is around 13% for Q4 FY '24 so where do we see this increasing? And sir, there is some kind of difference between the EBITDA margin in our numbers and our presentation, so if you could just help me in that?

Anil Jain: Yes. So the difference between the presentation and actual numbers is that in presentation, we do not take into account some of the provisioning linked to the earlier year legacy receivables because it is not linked to current year's profitability, and that is why our presentation shows a little bit higher level of EBITDA than what one sees on the books because those expenses, let's say, what comes under the presentation, the direct expenses, that is linked to the past period and not this period. But maybe I think going forward to make it easy for everybody, I think our presentation, we will align with how market rates it and we can provide the note related to any past issues, if any.

Madhur Rathi: Okay. Sir, for this 15% kind of EBITDA margin for Q4, can we expect in the next 12 months as our legacy receivables get over to reflect in our numbers?

Anil Jain: Yes. So as we increase the sales, right, as I said, overall company growing at 15%, 20%, the level of -- with better cost absorption, we expect EBITDA to improve. Of course, there are what happens in election, what happens to the monsoon, these 1 or 2 issues are out there. But overall, we feel strongly about our ability to drive growth with maintaining margin and then adding to the margin, the benefits of the cost absorption.

Madhur Rathi: So is this 15% number achievable for the whole year FY '25?

Anil Jain: I cannot say precisely because 15% would mean all businesses put together. So that would be a little bit ambitious, but we'll be definitely at least a percentage point more than the current year -- our target is to go towards that 15%.

Madhur Rathi: Okay. And just one final question from my side. Sir, we have guided in our tissue culture that we have progressed in the coffee plantation side. So do we see this business to grow faster like the whole tissue culture business from around INR230 crores that you did last year to -- so the INR1,000 crores guidance we have given for the next 5, 6 years?

Anil Jain: So I think tissue culture business has grown this year to INR240 crores -- to INR250 crores from last year's INR177 crores-or-so. So from INR177 crores to INR250 crores, we have done this year. From INR250 crores, we are looking to, again, grow around maybe INR325 crores-or-so in FY '25 in that business.

Now it is -- our major component tends to be banana. We also do pomegranate. And we are adding these other crops like papaya, coffee, mangoes, some sweet orange, et cetera. So all put together, we are expecting INR325 crores, and that business is quite profitable. So we have -- I think we have good visibility on that.

Moderator: The next question is from the line of Darshil Jhaveri from Crown Capital.

Darshil Jhaveri: Congratulations on a great set of results. Sorry, sir, but I couldn't just catch the revenue guidance, you said double digit, right, sir, for FY '25?

Anil Jain: Yes.

Darshil Jhaveri: Okay. Perfect, sir. And sir, I just wanted to just ask in terms of our interest cost that's now nearly around INR100 crores per quarter. So in FY '25, would it continue on the same run rate, or could we see some betterment?

Anil Jain: So actual interest outflow, I think, is around INR330 cores -- about INR340 crores is what we expect the interest outflow. When you see a little bit higher number on the finance cost, it is linked to the accounting treatment of 0% NCDs which we have. But that's not a cash or interest being paid. Actual interest outflow would be only -- at max would be INR340 crores, it could be lower.

Darshil Jhaveri: Okay. Okay, sir. And sir, currently, just wanted to understand from the demand perspective, like we see indication of good monsoon. So it's -- clearly 1.5 month of Q1 has also gone so how are we seeing the demand environment currently source?

Anil Jain: The piping demand is quite good, quite strong as we see in the season. The micro irrigation has been even keel, but we expect that to pick up any time now and -- because it will go strong in second half of May and the June part, but pipe has already picked up since April. So overall, demand looks good in the marketplace as I said. But again, monsoon and elections can make some changes.

But as things stand, we are quite positive. If there are any changes, I think, we will come back in July, but -- when we talk June quarter results. But hopefully, positive mindset should stay, not only because of the government programs. But generally speaking, a lot of our farmers are doing more value-added agriculture. So they tend to make more cash crops, grow cash crops, so they make more money. If they make more money, then automatically, they are reinvesting that into pipes and irrigation, et cetera.

Moderator: The next question is from the line of Shyam Garg, an individual investor.

Shyam Garg: Congratulation on a great set of numbers. So my first question is with respect to capital utilization, what is the capital utilization for Q4 and FY '24? And as we are talking about increasing our capital utilization in different segments, what would be the revenue from this segment and capital utilization since you are not doing any capex -- net capex. Most of it belongs to maintenance capex.

Anil Jain: Yes. So I think we are seeing current capacity utilization, again, it changes where the division, is only about approximately 50%, 55% because partly seasonal capacity, as you know, like we don't sell much in the monsoon period, et cetera. And for food business, you process mangoes only for 2 or 3 months or onions only for 6 months.

So when I look at company-wide, it will be 50%, 55%. But in terms of the -- how much using this capacity, I think we can kind of double the business from here over the next few years without adding much of the capex. So maintenance capex, a small amount of growth capex is what would be required, but otherwise, we should be able to kind of double the business from here.

Shyam Garg: Okay, sir. Sir, my second question is with respect to the order inflow in our food and Agri business. Since we are only focusing on mangoes and onions, and we can add more products to utilize our facility, so what is the order inflow for these 2 products? And what is our future growth plan for additional products apart from pomegranate?

Anil Jain: Yes. So current order book, which we have on the food business, at the India level is about INR335 crores. And if I look at the global consol level, it's about INR1,000 crores. That's the order book we have on the food side. And the other businesses like plastic business and so on, our dealers keep placing order. We supply them, they place new orders again.

So you don't get accumulated orders at one hand. But food business is kind of annual contract business. So you get a onetime order, you service through the year in most of the time. You also do some amount of spot business. So overall order inflows are good enough to manage the kind of growth, which we are projecting.

Shyam Garg: And sir, what is the execution timeline for the same?

Anil Jain: I mean this entire food, Agri orders, which we have, we need to service within the current year. So food, as I talked about food total order, we have is about INR1,000-odd crores in the overall food business. But FY '24, we did about INR1,750 crores revenue in the food business. So when you see that INR1,000 crores is not covering the whole year and more orders will come as we supply some of this content.

Moderator: The next question is from the line of Sumit Bhalotia from MKVentures.

Sumit Bhalotia: Congratulations on a good set of numbers. So sir, my question is on the retail business. If you can help us understand how this -- the core MIS business? How is the subsidies evolved in the last 2, 3 years. There's a ground feedback that farmers are now more than happy to pay the -- maybe because of the cash and carry business where farmers are more than happy to pay the amount upfront and then take it on their own books and chase for the subsidy. How is that playing out across states? And what kind of growth do you see organically in the next 2, 3 years? Also, one of the competitors we heard -- business has substantially come down, how are we benefiting out of it?

Anil Jain: Yes. Okay. I think that's a very good question. So when I look at the micro irrigation or drip irrigation business, drip and sprinkler business, there are states where we operate on what we call cash and carry model. So we are selling goods to our dealers. Dealers are almost paying full amount in advance or 1 week or 10 days of the credit period. But it is with no receivable and no dependence on the government type of business model. So that is 1 set where like we are operating on that basis, let's say, in Maharashtra or MP, Karnataka, for that matter, Rajasthan.

So many of these states we operate on that business model. And there, our growth is strong. Our market share is very strong. There are some states which would include Andhra, Telangana, Tamil Nadu, Gujarat, primarily these 4, where government places orders on the businesses on behalf of the farmers. And there, government typically paid you some advance, interest later. And the time period to recover money is fairly long. So in those states, our market share is low because we don't want to expose and take too much of noticeable exposure into these individual states. And what we have tried to do successfully over the last 2 years is in some of these states, we are parallelly developing the cash and carry model as well.

So there is 1 model where farmers registers orders and government places order on us. And there is other part of the business, which we are doing in the same state, where farmer via dealer is placing directly order on us, even though he may not receive any subsidy from the government because he's directly placing order on us rather than via government. So our medium- to longer-term thought process, we as a company, is to reduce wherever government receivables are there because sometimes it is taking 9 or 10 months to get paid.

And it just does not make economic sense, but we don't want to walk out of the market as well. So while we will maintain some amount of share with a capped exposure on receivables, but our idea would be that medium term, that even in those states, we will do business via the government portal only to the tune as long as receivables don't extend, let's say, more than 180 days.

And -- but build even stronger dealer network to do more cash and carry. So average receivables for us between cash and carry business and government business, then would become less than, let's say, 90 days. So that's a medium-term plan, which we have. And that way, I think our overall cash flows would further improve, receivable cycle and vertical cycle will further improve and whatever margins we make will stay more with the company rather than go towards interest payment.

You mentioned one of our competitors and the fact that they are not doing well. Most of our competition, a lot of them had focused more into this government linked portal business in those particular states. And there, as the governments are delaying the payment individual companies, depending on what exposure they have, how much on each state, they are also trying to -- you can't keep on giving definitely open account credit beyond the limit. So there -- these companies, our competitors are also now restricting themselves.

And therefore, their revenues are coming down. And they do not have a stronger position -- that strong position into the open markets, right, where we -- our brand is very strong. So I think that's where we are scoring well, and we'll continue to maintain that. But as I explained even in the states where this business is done in this way, and we have built a new business model as well.

Sumit Bhalotia: Sir, second question on the provision. You mentioned about the difference between reported EBITDA and the presentation EBITDA numbers. That was for the past year. So going forward, if I look at the project business, there's a reasonably large receivable which we are expecting to come down in this year. So is there a possibility of any kind of progressing in this incremental receivables that we are expecting?

Anil Jain: So over the last 2, 3 years, we have done adequate provisioning towards more or less most of the receivable. But some -- especially in case of the project -- these projects, as when we close, right, the final accounting on the projects, the inventory, the receivables along with the government agencies will be done at that point of time during this year. So overall, we do not expect too much of a difference between what we carry on the books and what would be finally decided in agreement with the various government clients, but there could be still some provisioning might come that way, which would be -- I believe it would be a noncash basis and onetime type of exceptional scenario, but I will not be able to put a finger on it today.

But compared to what we've already done and compared to -- if you look at the current balance sheet size and business, I don't think it would be something which could significantly impact company's future. It would remain within, in the larger context, a onetime event or a onetime hit. As kind of -- when you kind of discontinue a business, it will go into discontinuation business impact and continued business would be very healthy thereafter, as it is now.

Sumit Bhalotia: Sure, sir. Sir, if you can comment just one last question on the piping business...

Moderator: Sorry to interrupt, Mr. Sumit, I request you to rejoin the queue for your follow-up questions. The next question is from the line of Kamlesh Jain from Lotus Asset Managers.

Kamlesh Jain: Sir, if we see your retail business which is roughly around 82%-odd, and we have scaled down our projects business. So on the retail business, like how are the working capital days here?

Anil Jain: The retail business, our working capital days are, as I said, quite healthy. If I really look at it for March '24, overall retail business, the receivable days are 26 days, and which is an improvement of almost 8 days compared to March '23. And the reason it is 26 is also because the retail covers partly the dealer business, which is almost cash and carry, almost 0 days. But some of it is also institutional when we supply to contractors against letter of credit, we are providing 60 to 90 days.

So when you combine all of that put together, that is providing you 26 days. And I hope as we move into March '25, when we are looking at this additional further growth, our receivable days should remain similar level or actually go down further.

Kamlesh Jain: And sir, on the project business, like, say, what's the reason there or how we are going to move there? And like, say, are we going to have the similar volumes going forward? Or this particular portion is going to remain at these levels only?

Anil Jain: So this year, we did project business of INR320 crores, right, approximately, in terms of revenue. So going forward, our thought process is that current year, we still have about INR200-odd crores business, which we need to complete so that we complete all the projects which we have taken a few years ago in hand, and we close them. But thereafter, from the next year onwards, that is FY '26 onwards, company has said that we don't want to take direct government exposure. But if somebody else is taking government exposure, we will supply them pipe or drip what they need against secured financing. So we don't have government risk and financing risk.

So -- and -- but then that becomes -- that will become part of our retail institutional because it would become from government project to the institutional. It will move from 1 bucket to another. So as we go along, right, post '25, you will not start seeing this line of the government project business being a separate revenue line. It would be all part of the retail and -- retail plus institutional combined entity and then the exports.

Kamlesh Jain: So like -- but the working capital days will remain at 26, 25 days?

Anil Jain: Yes, yes. It would remain less than 30 days. Let us put it this way, 26, so it's less than 1 month.

Kamlesh Jain: And lastly, sir, order book position, which we report, let's say, INR1,900 crores on the consol side. So this is primarily this -- because in the retail business, we never see the order book. We don't have the order book. But this order book is primarily like you are supplying to the project businesses, like as you had mentioned that this project business would be going out and it would be supplying to the -- mainly the contractors. So...

Anil Jain: So if you look at -- you say INR1,900 crores is consol, right, including food and food has about INR1,000 crores, which is -- so non-food business, the orders are about INR900 crores and out of INR900 crores, substantial part is this kind of an institutional contractor business.

Also some of the existing government project business, right? This year, as I said, we still need to cover INR250 crores, that's also part of this. So from next year, you will see order book position would be less, but business would still grow more than what we do now because in case of dealers, orders gets renewed every month in totality. Also, we have a business of tissue culture, where we sell banana plantation, et cetera. And there, we receive advance from farmers, and that is also part of this order book position.

Moderator: The next question is from the line of Rishikesh from Robo Capital.

Rishikesh: So, my question in respect to the EPC business. What execution are we expecting to do this year? And the receivables also will have an expense, right? So how is the total receivable will go for debt repayment?

Anil Jain: Can you repeat the first part of the question? You're talking about which business?

Rishikesh: I'm talking about the EPC business that the remaining part which is yet to be executed.

Anil Jain: Right. Okay. So, on the EPC business, what exactly was the question?

Rishikesh: So, what is the remaining part, which is yet to be executed? Against that, you will be receiving the receivables that are pending, right?

Anil Jain: Yes. So, the business we expect to do in FY '25 to complete the projects, we have 54 different projects, which are ongoing. So INR269 crores is what we are expecting this year to complete and with that kind of INR269 crores, out of 54 almost 50 projects will move towards closure. And that is where we talked about that over the next 12 to 18 months, INR600 crores to INR800 crores we expect to recover.

So while with new business, we will do or create new receivables, would be, INR260 crores. Actual recovery would be closer to INR800 crores. And then FY '26, the remainder of the recovery of close to INR400 crores, including what we have done this year, plus whatever remaining from the earlier period will take place. So between FY '25, '26, this all would be completely finished.

Rishikesh: Okay. So basically, the INR600 crores to INR800 crores pertains to the projects that you have already executed in previous year, right?

Anil Jain: Yes, yes, but you get paid only when you complete the projects, right, on a milestone basis. So as we complete the project, even earlier payments will come.

Rishikesh: Okay. So when you complete the INR270 crores projects this year, we will be receiving, let's say, some -- the targeting part -- INR600 crores to INR800 crores that you are targeting, right?

Anil Jain: Right, yes. And while we expect a lot of this to happen in 4 quarters, but as we have seen in the past, in the project business, there is always a few days, or 1 or 2 quarters do happen. That's why I'm talking 12 to 18 months. Our internal target is to try and get this done by March '25, but it is possible that maybe it's maximum another 2 quarters. But within that period, this INR800 crores needs to come back to us from the various government projects.

Rishikesh: Okay. Got it. And my second question is with respect to the pledge are we looking to take down the pledge to 0 and if yes, by when if you could please share?

Anil Jain: You're talking of the pledge?

Rishikesh: Yes, yes.

Anil Jain: Yes, I think that is the thought process, which we have that as we move forward, we should bring down the pledge to 0, that is definitely the plan at a family, at a promoter level we have. And -- so that is still an ongoing process that it should get done over next year plus during that period of time, it should happen.

Now that covers the pledges, which promoters had made to raise the funds -- to put back funds into the Jain Irrigation. There is certain amount of pledge, which has been given to the banks of the Jain Irrigation. That would stay till the time the restructuring of the bank facilities in place. So -- but that is, I think, comparatively smaller amount. But all of the earlier pledges, which promoted, had raised the financing, those would be totally cleaned up.

Rishikesh: Okay. And just 1 last question. If you could share the market share for each of our 3 business segments?

Anil Jain: So if I look at drip irrigation, and again, there is no -- because there are a large number of players, 400 players or so, definitive data is not available, but I will just give you our estimate based on our feedback from our salespeople or our dealers. I think on the drip irrigation side, our market share would be, I think overall, 30%-plus. It might have actually gone up a little bit more because recently, our competition has not been doing that well, while we have maintained strong business.

In terms of plastic piping business and so on, there is -- there are 2 segments to the business, what is called non-organized sector, where there are a large number of people who do low-cost, very cheap prices. And then the organized sector, where there are a few listed companies and a few non listed companies. So if I look at the entire piping segment across India, plastic pipe, I think our share would be in higher single digit. But if you just look at the organized players, I would say that our share would be in high teens.

Moderator: The next question is from the line of Vivek Prabhakar, an individual investor. The participant got disconnected. The next follow-up question is from the line of Darshil Jhaveri from Crown Capital.

Darshil Jhaveri: Sir, just wanted to clarify, we have around INR48 crores from like loss of expense of discontinued operation, could you just clarify what is that?

Anil Jain: Yes. So last year, as you know, March '23, our overseas irrigation business was merged with the Temasek owned company called Rivulis. And some of the expenses related to that merger came subsequent to the March period in the current fiscal year. And because we had already taken profits linked to that sale of merger in the last year's discontinued operation line as a separate line, you see -- if you see the comparison, last year, there was a INR900 crores gain out of that transaction.

So this INR48 crores is the expenses which have come out subsequently, post March last year, in the current fiscal year, linked to that particular merger business. And that's why they are related to discontinued operation, but that is now done. You will not see that entry anymore in the current fiscal. It was onetime linked to the earlier period.

Darshil Jhaveri: Perfect, sir. And just, 1 question, sir now, I think we are on a steady footing. So like around the next 2, 3 years, what vision do we have? Like FY '25, we are seeing some election impact, but FY '26 government receivables might end. So could you just maybe like next 2, 3 years vision, like what is our aim currently, sir, a bit long term?

Anil Jain: I think -- so 2 to 3 years, I would say, medium term. Overall, we feel very strong and bullish about opportunity to continue to grow into, I would say, 3 or 4 business segments, which we have. Drip and sprinkler will continue to grow.

One, as more farmers are doing value-added agriculture, we think there will be more demand for something which helps them achieve that. As more and more people are eating or -- more exotic fruits and other things, I think that would continue to play an important role. And there -- just end of April, the Government of India has written a letter to all the states that they want to increase more than double the area under drip irrigation over the next 5 years, and that came just end of April, that communication.

So that could also -- the fact that government will do more direct benefit transfer to the farmers to buy irrigation could mean substantial solid constant growth in that business, where we have a leadership. Our margins are quite close to 16%, 18% range there in terms of EBITDA. So I think that would play an important role.

The second part of the business within the input side is the tissue culture business where we are seeing strong demand from our customers for banana plants or pomegranate plants or more value added. We have recently got into potato seedlings, and these are all -- tissue culture is more than 30% type of EBITDA business and where receivables are not an issue because you get advance from customers.

We expect that business to maintain good growth rate. And whenever you sell a tissue culture plant, you also sell irrigation systems to farmers. So the business feeds on each other. And some of these crops, we buy back like banana farmers, right? We buy and process about 20,000 to 30,000 tons of banana. So that's where we are creating a very unique business model in the entire Agri value chain, where you supply banana plant, you supply irrigation system, then you buy back banana, you make banana pulp and you sell the banana pulp to, let's say, Nestles and Unilever’s of the world or other global companies.

So in terms of vision, right, that's the word you used, the idea is that we build this type of ecosystem in more crops. Like today, we do a lot of onions, right? We process a lot of onions. We process garlic. We provide irrigation system to farmers. But as of now, we do not make -- for example, we make onions seeds, which only we give to contract farmers, but we can make onion seeds, which will give to other farmers as well because we are buying back from them the onions.

So that way, the idea would be -- and that is just an example, but the idea would be, in medium term, in all these businesses which we have, which is processing on 1 hand, planting material on the other hand and irrigation systems and pipes where we provide inputs, we buy back the output and create ecosystem where we have many more touch points in the -- across a single value chain and do this in more and more crops.

So that is -- I mean, in terms of growth and potential, then you think of 3 years, 5 years, 7 years, 10 years, 20 years, agriculture in India across these value chains is very disorganized today. Overall agriculture input-output is more than $500 billion, and very few companies are either fully existing into across value chains. There are none to my knowledge, except for some few, I would say.

And -- so with that vision, I think we can continue to sell a lot of products and continue to work in this value chain. The second, in terms of overall, we feel that -- on the piping side, we have been making pipes since 1980. Jain Pipe brand is very strong. Our product quality is very good, but we are primarily focused on the rural areas. Selling through dealers to the farmers in rural areas.

And -- but we have not been into building residential markets or plumbing or some of these other applications. I think over next 5 years, India is going to focus a lot more on Swachh Bharat. It would mean a lot of drainage -- open drainages will get covered with the pipe. There would be a lot of sewage-related demand for the pipes. Of course, as more people build homes, there could be more plumbing.

And also agriculture growth will continue. So production is same, right? Production technology, production equipment is same whether you do applications for plumbing or whether you do applications for agriculture. So our thought process over the next 2 to 3 years would be to additionally build the distribution network into these applications where we are not present today.

And -- so apart from normal growth, which will come through the agriculture market and irrigation system, we would also be growing the plastic pipe business into these other applications. So this would be, I think, our viewpoint in terms of over next 3 years, which way we want to go.

Darshil Jhaveri: So just like to summarize, sir, is it like possible that in the next 4 years, we can double our revenue?

Anil Jain: I think that would be something definitely we, as a company, are targeting.

Moderator: The next question is from the line of Keshav Garg from Counter Cyclical PMS.

Keshav Garg: Sir, I wanted to understand, sir -- actually, I'm new to the company, so please pardon my ignorance. Sir, you -- since we are -- we have winded down the EPC business because it was subsidy-heavy. And sir, now we are talking about growth in micro irrigation. But I understand that in micro irrigation, also, it is very, very dependent upon government subsidy, at least the listed companies like Mahindra EPC, etcetera.

If you see, they are very, very high receivables. So in that case, sir, we are back to the same where we were -- like we are still dependent upon government subsidy, or we are targeting nonsubsidized drip irrigation?

Anil Jain: So I think maybe -- I explained this in more detail earlier in the call if you can listen to that part. But just at the cost of repetition, I would say that our focus is going to be on non-subsidy-related business. And on the retail business, where micro irrigation, we want to focus on, our current DSOs are actually just a month on that part. And the subsidy linked part also we have, and as I explained earlier in one of the answers, we are looking to considerably bring down our exposure to that part of the segment.

Keshav Garg: Sir, so basically, if the -- why would some farmer go for nonsubsidized drip irrigation when the government is giving subsidy because the farmer does not care that when the micro irrigation company is getting paid from the government.

Anil Jain: Yes, yes, that's a good question. I think answer lies that sometimes, say, taste of pudding is in eating it, right? So we are getting that business. So Maharashtra, for example, we are not dependent on the subsidy. And we have maximum market share, I think, more than 65% in this state.

Because of the quality of the product and the fact that when a farmer uses our drip irrigation, the amount of money he is making because of a higher level of productivity is far more than -- and he can still claim the government subsidy, if he want at a later date, it is up to him.

But as far as we are concerned, we are getting very good response from customers, and it is not easy. When on 1 hand, government is giving 80%, 90% subsidy and you say, "No, no, you please give me 100% company." So why should a farmer do it? That's a very good common-sense question.

But in reality, the benefits farmers get, when his productivity goes up and cost goes down, if he get the better-quality fruit or vegetable, he can sell in the market at a much higher value than he is willing to do what we are requesting to him and that is working for us.

Keshav Garg: Great, sir. And sir, also wanted to understand, sir, the previous receivables that are stuck with the government, sir, are they under dispute or that the government is just delaying because the government has no money?

Anil Jain: I think most of them, I would say, are not in dispute. Some of them, which are in dispute, we already made the provisions in the books. But I would say 80% to 90% are good. The delays are because of 2 reasons.

Some places, government has used the development money to give freebies, et cetera. But I think the second is that some of these projects, like 80% complete, 90% complete, but we will get paid only when they get 100% complete. It's a combination. And that's why we feel fairly confident that in the next 12 to 18 months, we should receive most of it back to us, and we will keep updating everybody on this.

Keshav Garg: And sir, lastly, what is the cost of borrowing? And sir, how is it expected to come down? And any thoughts on refinancing the same at a lower cost?

Anil Jain: Our current cost is 9.7%. So I don't think there will be too much of reduction possible in terms of refinancing that costs. And costs will come down as we repay the debt. Actual interest outflow will be less.

Moderator: Due to time constraint, that will be the last question. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Anil Jain: Thank you. No, overall, I think this has been a good year. In terms of repayment of debt or deleveraging, it was less than what we expected because continued delays in collection of the government receivables. But we are fairly confident in FY '26, and as I said, over the next 12 to 18 months, that should take place and that would help us definitely deleverage.

Meanwhile, what has been a very good part of this year is 25% growth in the retail business, stable food business, very good results from our overseas plastic sheet business. Those have been very positive events. And overall company is, as I said, more stable, more secure, and coming out of the restructuring, which was very deep restructuring and complex one.

And we are quite enthused looking forward -- going forward to continue to build on the retail side of the business, improve the free cash flow, continue to deleverage, and create more value for all stakeholders. Thank you.

Moderator: 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.