"Jain Irrigation Q1 FY13 Earnings Conference Call"

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ANALYST: **MR. NIKHIL VORA**

MANAGEMENT: **MR. ANIL JAIN**
MR. MANOJ LODHA

Moderator: Ladies and gentlemen good day and welcome to the Jain Irrigation Q1 FY13 Earnings Conference Call of Jain Irrigation hosted by IDFC Securities Limited. As the reminder for the duration of this conference all participants' lines are in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need any assistance during this conference call, you may signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Nikhil Vora. Thank you and over to you Sir.

Nikhil Vora: Thanks Lavina. Welcome all the participants for the Q1 earnings call of Jain Irrigation. We have with us the management team represented by Mr. Anil Jain, Manoj Lodha, President Finance and Parag Deshmukh, Strategy and Investor Relations. I will hand it over to Anil Ji to first make the opening remarks and what has clearly been a challenging quarter. Sir, maybe opening remarks and then the way forward and then we will open the floor for Q&A. Over to you Anil Ji.

Anil Jain: Thank you Nikhil. Welcome to everybody. This quarter has been challenging. In the last concall, I think, I have talked about that we are experiencing what I called the perfect storm and as this quarter shows that now we are getting after effects of that perfect storm and I think they will continue for some period of time maybe another quarter or two overall.

Let me discuss the business situation and what happens this quarter in three different aspects, one in terms of business second in terms of the challenges we are facing and third in terms of finances. So in terms of the business and I will come back to micro irrigation a little bit later where we can go into more details. Our pipe business did very well. In fact we did even more than what we had planned for with about 33% growth in pipe business combined we had really good growth, good demand in totality and we expect that to be continuing as we speak now in the current and possibly the next quarter so that looks good for the whole year.

The second part within pipe, the PVC pipes have done really much better. Our P pipes has done reasonably okay compared to the last two years, our P pipe was somewhat subdued it seems growth is coming back at least in some infrastructure projects our funding has come and therefore the customers have started buying those particular products. In terms of pipe business margins are slightly lower maybe by a percent or so, let us say if for usual EBITDA margins level are 8% in this quarter maybe they were down to 7% and primary reason for that was that with this oil had gone up during this period and rupee had depreciated so the polymer prices were all over the place and there was not enough time to pass on all the increase within that short period of time. Rupee depreciation was really brutal and in a short period of time, but we still managed to pass on majority of the cost increases and still come out well in terms of overall business on the piping side.

This is one major business we have. The second biggest business we have apart from micro irrigation is food processing. In case of food processing again we had a very good quarter in terms of the quantities we covered. I think our quantities were up almost 37% in fruit pulp and dried onion, etc., however, if one looks at our net number in terms of sales value it is minus 6.5%. Now the difference between these two numbers is that this season when we were selling the product that was made in the last year that is 2011-12 season, the product maybe sold now. Now 2011-12 season Totapuri mangoes are available at Rs.8 a kilo and this is a cost plus pricing model. So we are selling products let us say at about Rs.35 a kilo approximately.

Now a year before that is season of 2010-11 Totapuri mangoes were Rs.18 a kilo. So the last year when we were selling Totapuri mangoes were almost Rs.60 a kilo. So therefore even though we have sold 37% more quantities this year in this year-to-year quarter comparison you see that we have lower sales price, but that was just the raw material prices were lower, our margins have actually improved in that business and this kind of high quantity growth consumption gives us a very positive signal going forward in terms of market requirement and even our customers Coca Cola and the European customers, Middle East customers all have also registered very good orders in the current season, so we are looking forward for food to continue to grow and do well as we go along.

Apart from these two businesses we have two smaller businesses. Tissue culture business continues to do well on a smaller base, but it grew almost 67% from 12 Crores to 20 Crores and so on while solar business we have had small amount of reduction, but that was more with the seasonality. As we have explained earlier overall the solar and the renewable energy business has been growing at about 70% to 80% a year for the last three years and we expect even in current year that business to do north of 50% growth. So tissue culture and solar seems to be doing well and should on an annualized basis should be more than 50%. Fruit as I said the quantity consumption is good but because of lower value it might settle between 10% plus growth. The piping while in the first two quarters and even currently is maintaining that growth rate of 30%. As things go along if they are maintained, it should definitely be remaining above 20% and probably 25% plus. So that is all positive in all these businesses.

Now coming back to Micro Irrigation business. Micro irrigation business is one business where we have taken significant reduction, 32% is the number. Now everybody used to and we are also used to micro irrigation business is the main, it has been kind of main locomotive for the growth of the company in the last decade or so. While we were just reviewing these numbers this division was hardly about 70 Crores some times in 2003-04 and today including our overseas business that business is very close to 2700 Crores or 2800 Crores. So business has grown 40 times in ten years and so I think we have done well over a long period of time, but short term also matters. The reason for lower business in the current quarter has been discussed in earlier concalls and communications with investors has been that we have decided to sell less in certain states where receivables were coming slow so that we kind of improve the whole collection situation and in state of Maharashtra where we have traditionally been growing very well in this particular quarter the sales were low because also there was less demand from cotton farmers which year-to-year earlier quarter was quite high and one of the reason is cotton prices were low and some places farmers could not use our irrigation for supplemental irrigation because there was no water whatsoever, so it was kind of a drought situation in certain areas, but keeping aside these issues whether drought or lower prices of cotton I think it was more of our own deliberate strategy to consciously reduce sales in certain areas in certain geographies so that we can improve collection.

So as a result we have 32% reduction in overall this division. Now we expect that even in the current quarter the second quarter the reduction may remain around similar levels, but then we expect the October to December quarter to turn to be a positive quarter and the fourth quarter we will start again in the double-digit level of growth generally speaking in that direction. Now while this was the situation on sales in terms of when we look at receivable situation the question is what happened in the receivables, so in receivables I am very happy to report that our government subsidy receivables are down by almost 120 Crores between March and June end and that is in line with our expectation because our target for the whole year has been to reduce receivables by about 500 Crores and that I am talking about the net reduction in the receivables from the government so March 2011 the government receivables were around 1100 and odd Crores and now we expect them to come down at least by 500 Crores by March. With the action we have seen at various government levels whether it is Maharashtra government which is using the money from Rashtriya Krishi Vikas Yojana or whether Tamil Nadu where after announcing their new scheme of 100% they have now streamlined the situation or in Karnataka where the government is accepting all proposals electronically, we have seen certain changes in the way the government functions and that will bring some efficiency. In some places there has been this additional budget or new ways of funding the earlier dues of the various state governments.

So as a combination of all of this and the fact that Central Government has already sent their first level tranche for the current year and state government are using that also took over the earlier year dues of the farmers. So considering all of this we expect existing receivables of government subsidy we will be bringing down substantially by 500 Crores and the new sales, which we are doing in certain areas we will be creating additional government receivables through the farmers, the government subsidy. In some areas like in Maharashtra we have been selling everything through the dealer so that dealer takes the responsibility on behalf of the farmer and they are able to provide certain securities and otherwise in the later part of the year in third and fourth quarter we also expect our NBFC to kick in and even though in the initial period it would be slow because we will do some pilots and all of that but I expect fourth quarter some reasonable numbers should come from NBFC financing for the drip irrigation.

I also talked about that we are trying with this model of business correspondent model where we are tied up with two private sector banks who do not have kind of rural presence and we are helping to create KYC for the farmers so that farmer can apply for loans through these banks. Now in this particular quarter we did approximately about 2000 such proposals and while overall amount of the loans raised may not be very big because our average ticket size is small the amount is I think about 16 to 17 Crores but what is important is that we have worked with these two banks and between our organization and their organization our dealers lot of clarity has emerged in terms of the processes to be followed, documents to be done and so on and it seems in the coming busy season we might be able to get far more success and large number of farmers covered in this particular mission. This particular effort we did was limited to about two to three districts in Maharashtra only for one crop of cotton this year, so as we move into the busy season we will cover larger areas geographically and also cover more crops and that would also increase the business.

So with the help of NBFC and with the help of this business correspondent model and working with the governments to reduce our existing receivables we are fairly confident that we will definitely do two things, one reduce the receivables by almost 500 Crores in the year especially the government subsidy receivables and also make good impact on changing the mindset of our dealers as well as farmers that here after if they want to buy drip irrigation they have to either take a loan themselves or put up the cash rather than manufacture to start getting or waiting for the money to come from the government. If the government pays the money it should go directly to the farmer but the farmer must take obligation to pay us upfront.

In the last one month we have seen few examples, which is the overall context of the company is not a big issue, but just last week we sold to one farmer as a family they have large amount of land about almost 45 acres. He paid about 20 lakhs so that is Rs.2 million cash to be able to buy drip irrigation. So maybe he raised the bank loan himself. We were not involved in that arrangement with his bank, but the point is he agreed to pay 100% cash. So I think this is coming through, but it is not easy because people have been used to one model for 20 years when you go through a change there would be a pain, there would be uncertainty and as we said that that is expected to be totally elastic between two to six quarters we have been already through two quarters and one of the four quarters we will see some of the impact either way into this whole business model, but thereafter we feel fairly confident because of the underlying demand for micro irrigation will continue to stay, productivity still low, water issues are still very relevant. There is demand for drip irrigation will keep going up.

Another factor, which has happened during this quarter is that we have been working with the Central Government and the Irrigation Ministry to bring some kind of a conceptual clarity that whenever they do Irrigation Ministry's project like building a canal and bringing water to given area what is called canal command area in that case they must ensure that ultimately drip and sprinkler gets used in such projects to improve water used efficiency and I think all that efforts and those discussions are bearing some fruit and one would see hopefully in the next two to three months some kind of announcements at the Central Government levels which will most likely get unstrained as a part of the Twelfth Year Plan where new projects related to canal and command area would come with provides us that drip and sprinkler should be used and that will give us some kind of wholesale business where we will have to still deal with the retail customer but the funding etc., will come at one location, which would reduce some of our retailing cost and would allow us to build the project benefit.

So we expect that to also remain as a positive scenario. Of course we have talked about that in the current year especially we are planning to increase the amount of exports we do. We have been working in Africa and potential is quite good. We have signed MoUs with few countries. We continue to work with them. There are in some places Indian credit lines are involved and some of these take time because governments are involved, but once they do come through these projects would get one project and once you do that then there is another project and so on. So even in the first quarter we sold about 30 Crores approximately 28 Crores overall 25 Crores exports were to Africa in micro irrigation. So while I do not want to say that it is a big thing, right now but we continue to work at it and as and when it comes through I think it will provide significant fillip to our growth in the international market.

So that has been the situation in India that overall our sales have been low by about 10%. But at the same time overseas subsidiaries have done well. They have on an average grown about 10% between food and irrigation. If you really look at on consolidated basis our sales are about minus 1% compared to the same period last year. These have been the business issues and receivable issues what we have faced and what we see right now.

The other factor, which we have been also trying to adjust, which is also connected to the receivables is that due to these higher receivables we have ended up creating lot of short-term debt which was creating liquid distress for the company over the last couple of quarters and we have now succeeded in putting together a package of finance, which we are expected to finalize over the next week or two where we are planning to raise almost close to $200 million plus funding. Now this funding in essence will allow us to reduce our interest cost significantly and also reflect short-term loans with the long-term loans, so whatever is the part of the equity that would reduce immediately the interest cost even the long-term loan would be at a rate which would be lower than the current rate, so overall we expect on annualized basis the impact of this fund raising is that going forward on an annualized basis between this as well as reduction in the receivables together should create about Rs.80-Rs.100 Crores a year reduction in the interest for us overall a 12-month basis. So that is what we are really focused on and it would also create a better balance between long-term and short-term and maturity as well as liability. We will also plan to use part of this money which we are raising to repay some of the long-term foreign currency loan over a period of time so that the dollar funding is taken care through another new dollar sources combined together and that way we do not take this notional mark-to-market hit we have been taking does not become kind of permanent and the new expected loans are going to be for a long period of time about 80 years or so, beyond this I cannot talk much about this on this particular issue during the call today, but as soon as our board committee finalizes the remainder terms of the fund raising etc., in near future in a week or two we will share all of that information with all shareholders up to this detail.

During this period we have also worked with our existing consortium bank and they have agreed to start funding our receivables almost to the tune of nine months as against what they used to do in earlier six months and this is also providing company’s additional working capital in a right manner, so that the discounting which we used to do significantly higher a year ago in March 2011 we had almost 900 and odd Crores of discounting, it went down by March 2011 to the tune of 500 and odd and I expect that by March 13, we could be even significantly down from that figure. That is now partly getting through the replacement with bank loan partly it will get replaced by actual reduction in the subsidy and the long receivables themselves.

Now, in terms of the overall this Rs.1100 and odd Crores which were due in March 2012 of our receivables and government receivables almost about 75% of them where dues related to 2011-12 and about 25% of them were dues related to a year before that in terms of hedging and in the current quarter and next may be another three to four months we expect that we would have recovered the entire fund from the year before, so what would be left would be by 2011-12 only and with all what we are planning by the end of this year we would have definitely fully recovered 2011-12 and good part of even 2012-13. So that is the short-term scenario where we are. If one looks at medium to long term it is very natural for stakeholders to get disturbed when company declared lower sales or a loss while for almost last nine years for about 34 to 35 quarters we have consistently grown and we have always been profitable. We sincerely and honestly believe that this is a short-term phenomenon issue for few quarters, and overall on annualized basis company would maintain positive growth rate generally speaking and would also definitely remain profitable.

If one were to look at next two to three years I would feel comfortable to say in the current year we are not talking much about the sales growth because of all the issues which are happening right now, but if one wants to look at CAGR basis over next three to four years, I feel fairly confident to say that we as a company should maintain about 20% plus revenue growth and also at least similar level of the earnings growth, so any of our investors who are looking at what is the medium to long term plan company and what is the guidance, the guidance is that we will have fairly stable level of growth and definitely earnings will grow. Earning growth will come from combination of the fact that reduction in the interest cost would be one. Of course earnings growth will come from as the businesses become more profitable outside India. That is another good thing which is happened in the current year that our overseas subsidiaries their EBITDA has improved from 37 Crores in 2011 to almost 90 Crores in 2012 and we expect that to be maintained or further improved in the current year as well. So as a business because we are global we have multiple divisions there are a lots of moving part and in this volatile world everything does not always move the way you would like to, but despite that even turmoil of 8 or otherwise we are managed to come out quite well and we continue to work hard, we continue to invest into research and development, we continue to create new products or new solutions for our customers that is farmers and we believe that overall this will be maintained.

So the challenge which we had faced on liquidity as well as balance sheet issues is getting resolved with the work which we have done with bank and the likely fund raising we will do now. The challenge related to government receivable as well as micro irrigation business is getting sorted through recovery of money. NBFC working with banks and working in the select space and that is how we are addressing it. Challenge about overseas subsidiary not contributing, also now is becoming visible that they have started contributing and we remain fairly hopeful that will continue to do. So these are the three issues which we faced, the only other issue which we have faced is about the forex gain or loss is a mark-to-market scenario. We are global company. We have dollar earnings and so on, but there is a temporary period where rupee depreciates a lot you have to take mark-to-market hit, but we do not expect that mark-to-market is to get converted into cash loss because we have access to dollar funds as well. So that is how that issue is getting addressed. This is how we are looking at. We are very focused in terms of what we are doing. We feel fairly confident of the outcome, but during the journey in the near period you might see another quarter or two with weak results one way or the other, but thereafter you should expect our company to be firmly in saddle to maintain sustained growth rate. Thank you.

Moderator: Thank you Sir. We will take a first question from the line of Princy Singh from JP Morgan. Please go ahead.

Princy Singh: Good afternoon Sir. I have two questions, first if one does not take into account the old receivables, the receivables which are pending from FY'11 and FY'12, excluding that in the current environment what is the typical receivable cycle on an average that you are seeing across states where you are selling?

Anil Jain: In terms of you are talking the sales situated in the first quarter?

Princy Singh: That is correct Sir and generally also what has changed over the last one or two quarters in terms of the cash conversion cycle as far as the state governments are concerned?

Anil Jain: What has changed we saw that in Maharashtra government for example, they have been able to get new funding from this Rashtriya Krishi Vikas Yojana so they are releasing the funds which were 2010-2011 and now we have started getting from 2011-2012 also from them. In places like Tamil Nadu, etc., with all the electronic stuff they are doing, they have started releasing money quickly compared to what they used to do because every farmer file is electronically registered, so the rest of the processes become very automated earlier it was all documents at district level and then used to be state level, district level, lot of delays which used to take place. Even in the current year when we have sold about 300 and odd

Crores domestic in this quarter we have recovered Rs.400 and odd Crores in terms of some customers. So that is when, when I said that we are looking at reducing overall receivables of 500 Crores, so two things are going to happen, one old money is definitely going to come in and the new money we are not creating long receivables, so when we move into the next year 2013-2014 you have less amount of the longer period earlier receivables and that is how our overall outstanding will be already down to 270 in March 2013 and then within a year or so, we plan to further bring that down to at least may be another 90 days, so that it goes down to 180 especially in micro irrigation business, in other businesses which we have pipes and so on there also we have improved our receivables at least by 10 to 15 days during last quarter, so there is huge focus on that and started giving certain amount of dividends now.

Princy Singh: So that was my question Sir, so it is safe to assume that the new receivables excluding the old ones which as far as the government is concerned which we are creating our of the tune of about 180 days, would that be a safe assumption to make?

Anil Jain: Let me put it this way. There are three parts to receivables, one is the government related subsidiary receivables and there what you say is correct. Then we have the project receivables and the projects have their own lifecycles of 12 to 18 months. Then we have receivables, there are two let us say the dealers those are definitely less than 180 days. Then we have receivables related to sugar factories, which are typically pay us on the cane harvesting which is about 16 months or so. It is a combination, so in places like Maharashtra the new receivables we are creating are definitely now six months or lower and Maharashtra is 40% of our business. Some places like Gujarat were we are already only 90 to 120 days in places like Karnataka new receivables we are creating would also fit into that 180 days definition, but there are some places like Andhra Pradesh, etc., where some of the receivables still may be 9 months to 12 months till that time state government is able to take care of the old ones and so that the new ones come into the normal norm and some of that will happen as I said between now and March.

Princy Singh: Second question is on your new businesses which are growing very rapidly, although of small base and specifically the food processing business I just want to understand how much what is the working capital intensity of these businesses, because you mentioned that earlier on the call that for the food processing business you process the foods and you have to hold inventory for reasonable period of time, so I just want to understand as the contribution from these businesses increases both in terms of receivables and in terms of inventories what impact will it have on the overall working capital cycle for the company?

Anil Jain: I think it is a very good question. In case of let us say two businesses onion and dehydration and food processing, two major businesses, if you talk fruit pulp it is mostly mangoes and as everybody may be aware mangoes have to be processed in three months reason about 3.5 months, now once you process it, you will over the next 12 to 15 months, so inventory depletes gradually, so on an average we are holding about nine months of inventory, but once you sell the good domestic market will get paid in about two weeks outside India average holding inventory period may be six months and the maximum credit there could be about 60 to 90 days. So on an average overall food cycle between inventory and receivable is about nine months or lower. We have also been exploring with some banks this whole concept of this warehouse received financing because we have readymade order from customers, we have already made goods, they have been quality approved and if the banks can finance those then that may not stay on, our balance sheet as the business size grows, but as of now this is the cycle whereon receivable we have very limited exposure, inventory this is axle to the business that you process in a season and sell through the entire year.

Manoj Lodha: Just to add that on the growth inventory once it becomes finished products, under the co-carriage line which is roughly 40% of our total quantity, we also work with the bank and get the funding for that inventory, so effectively on book we are not funding that inventory, it is the bank who gives the financing and as we shift the product to the coke that gets liquidated, so really speaking of our domestic business approve, we did not even invite invest into inventory.

Anil Jain: One more just small may be additional point, is that the way this business works is also an export market, for example, we have customers, so you give them “X” price as of shipped in September once mango pulp is ready and but if the customer says okay give me product in January, February or March then every month we add finance charge to them, and the holding charge, so every month let us say we are selling a $1000 per tonne then every month we might have $15 every month, if you take after six months there will be $90 more he has to pay, so that is the nature of the industry that is how this industry works.

Princy Singh: All right Sir. Thank you very much. I have more questions, but I join the queue later. Thank you very much.

Moderator: Thank you Sir. The next question is from the line of Renish Patel from B&K. Please go ahead.

Renish Patel: Hi Sir. May I have the revenue breakup on consolidated basis for the FY12?

Anil Jain: In terms of FY'12, total of about 5000 right, 4900 and if we are looking at in terms of total out of 4940 MIS would be about 2680, pipe would be about 985, this is in Crores, sheet is about 200, fruit and onion put together is about 835, solar is about 170 and other is 70.

Renish Patel: Okay Sir. Thank you Sir. That is it.

Moderator: The next question is from the line of Arya Sen from Jeffries. Please go ahead.

Arya Sen: Good afternoon Sir. A couple of questions, firstly on the consolidated the difference between consolidated and standalone, the taxes seem to be lower in consolidated than standalone what is the reason and what is the expectation going forward for taxes in the subsidiaries?

Anil Jain: That is more because of deferred tax adjustment, so in India also you saw this time the taxation was on the lower side because as I told earlier we got some benefit under this API and some incentives, so the question was that under the deferred tax adjustment we could reduce the overall taxes in a consolidated entity that is the major reason.

Arya Sen: Going forward is there anymore deferred tax write back that you can take going forward or this is it?

Anil Jain: I think what would happen even the overseas subsidiary that as on day make a profit before tax, we have still unabsorbed losses in those subsidiaries, so tax as such may not be there, but at least then you would start putting some deferred tax liability, so assuming the scenario where the profit is going to come from overseas entity as well as India we should actually have our tax rate little bit going up may be up to 23% to 24%.

Arya Sen: Secondly, just wanted to understand I know you are not going to talk a lot about it, but that $200 million of funding that you are talking about is it all debt or is there any equity component in it?

Anil Jain: It would be a combination of equity, convertible and debt.

Arya Sen: Any sort of indication of what proportion would be equity?

Anil Jain: It is bit difficult to provide that combination, but I think it would be easy to say kind of there are three pieces more or less they will match, it could change somewhat, but more lesser.

Arya Sen: So you saying that it could be close to 33, 33, and 33?

Anil Jain: As I said the moment I start saying something you will try and take some other meaning out of it, let us not do it, it is going to be a week or two there.

Arya Sen: Not a problem. Lastly you are now reporting the forex losses in two parts, there is exchange rate difference, and there is something in the finance cost, so what is the difference and what is coming in the exchange rate difference and what is coming as part of the finance cost, is there any part within this which is not mark-to-market, which is actual losses?

Anil Jain: No, there is nothing like that. As per the new schedule six requirement and you have to segregate your forex loss either cash loss or notional loss into two categories, one which is on the long term loan, but that more represents as if you would have borrowed in rupee, then how much losses forex losses you can accommodate as a notional interest cost, compared to your foreign currency cost, so that piece has moved to the finance cost which indirectly represent as the borrowing was in rupee then that would have been our added interest cost and then everything remain on a trade account or even on the loan account which is not part of the notional interest fixed into that forex loss, so would that let us say for example it is overall we have about 79 to 80 Crores of forex loss either cash loss or notional loss, out of that about 60 Crores was notional for the June quarter.

Arya Sen: So 10 Crores would have been the cash loss roughly?

Anil Jain: Yes.

Arya Sen: Lastly, I just wanted to check what is the receivables number at the end of this quarter, both in absolute terms for MIS business and the number of days again for MIS business, gross receivables?

Anil Jain: We have about roughly 1640 Crores as gross receivables and of course we have about discounting the range of 300, so may put be around 1300.

Arya Sen: Discounting has come down to 300 Crores and March end it was about 500 Crores?

Anil Jain: Now it is 330 in that range.

Arya Sen: Okay, thanks a lot that is it Sir.

Moderator: We will take our next question from the line of Amitabh Sonthalia from SKS Capital. Please go ahead.

Amitabh Sonthalia: Some of my questions have been answered. Just to go back to the fund raising point that somebody else raised, so what stage are we in as far as the $200 million of fund raising plans that we have announced? Have we appointed bankers? Have we tied up? Do we have indicative interest from investors? What markets are we looking to tap domestically or overseas? If you can give some more details. I understand it is not finalized yet, but what are we aiming for? What is the company's sort of target as far as that is concerned?

Anil Jain: I think most of the funds will come from overseas market or overseas player. The second point is that we are in fairly advanced stage. We have moved beyond the preliminary interest and/or identification of the lenders and/or investors so it is in advanced stage, mostly it will come from overseas. Those are the two things. We are expecting to kind of get this finalized in a couple of weeks announced and we are hopeful as that happens the funding should be in place sometimes in October.

Amitabh Sonthalia: There were some rumors or some in sections of the press about IFC being one of the investors in this are we in discussions with them or I know if I recall correctly they already have invested in our NBFC. Is that correct?

Anil Jain: IFC has invested in the NBFC. IFC is also existing shareholder of the company. IFC is also existing lender of the company and as one can publicly see IFC is looking at funding the company more and it is also on their website whatever it has publicly disclosed. So IFC is there. They are part of this package, but exactly what, where, when and how much etc., and which part that will become clear over the next few years.

Amitabh Sonthalia: Just to get a flavor of the kind of money we are looking for this would obviously be long-term money not necessarily it will be foreign currency denominated again? Can you throw some light on that?

Anil Jain: When you look at equities equity.

Amitabh Sonthalia: Equities equity right, I am talking about the convertible part and the debt part?

Anil Jain: The convertible and debt most likely will be foreign currency denominated.

Amitabh Sonthalia: Where the company would be carrying the exchange risk of rupee dollar risk in future?

Anil Jain: But one can hedge also and even after hedging we expect accounts to be quite low.

Amitabh Sonthalia: The other thing was you have secondary class of shares listed DVRs which was I believe issued at the right share or bonus shares, I cannot recall, so and that is trading at a 60% discount to the main stock, is that a fair discount and management's view is that sort of how do investors treat that as an investment?

Anil Jain: I think in India there is no deep market for this instrument. There are hardly three or four companies, which have done so. We are the only company which did it purely based on bonus so we have not raised funding against it. It is a subjective issue to see whether the difference is fair or not, as a management I feel that it is unfair. I think it is too deep a discount. In places like New York or wherever else some companies when they have two instrument the difference is not too much. In India it is actually between 30% and 60% between those three or four companies depending on the time.

Amitabh Sonthalia: If I remember correctly, when you issued this as a bonus at that time there were some other companies who's DVRs were trading at similar discounts but the management still chose to going ahead with issuing bonuses in this form?

Anil Jain: I think we did bonus, right, so we did not try to raise funds against it. We wanted to see whether this instrument should work over a longer period of time. That is what we wanted to see and because it was a bonus whatever the price investors could get it gave benefit to them and people will hold it for long-term if it narrows down in future the difference as the market changes view on this instrument then they would tend to get lot more benefit.

Amitabh Sonthalia: But management does not have any plan to extinguish this or since it did not achieve its desired objective and its differential persists at these such high levels would the management look at being proactive in terms of buying it back or substituting it for regular shares or something like that?

Anil Jain: As of now there is no such plan and I do not want to speculate about future but as of now there is nothing on the table.

Amitabh Sonthalia: Thanks very much.

Moderator: The next question is from the line of Girish Achhipalia from Morgan Stanley. Please go ahead.

Girish Achhipalia: Hi Sir. Thanks for taking my questions. Just couple of them. Firstly given what is going through MIS business could you share some margin outlook for the year please?

Anil Jain: In terms of margins, margins have been somewhat under pressure due to the fact that I talked about the rupee depreciation and polymer prices etc., and high oil prices; second with the lower capacity utilization automatically the fixed cost goes up, as part of less under assumption. Having said that we do not expect any significant change in the margins for the whole year and while it may happen in individual businesses margins can vary somewhat but we have some businesses where margins are improving like food business margin is improving. We expect better margins in the solar and tissue culture business etc., so all in all we do not expect a significant change in margins they should remain range bound.

Girish Achhipalia: Is it fair to assume that margins between retail MIS and project channel as well as exports are similar?

Anil Jain: Yes, they have been also in the past.

Girish Achhipalia: Finally just on NBFC, do you think with what is happening around the RBI circulars and Usha Thorat structure will get PSL status?

Anil Jain: Now there are two parts to it that NBFC itself if we going ahead and borrow from a bank it may or may not because RBI said they are going to still further clarify that whole priority sector lending circular. Just two weeks ago the governor said that he will further clarify and he is willing to look at some suggestion. So it is still not clear whether it will or it will not qualify. However, once the NBFC creates the asset by giving the loan to the farmer and if that loan is securitized with the banks that will definitely be in priority sector banks.

Girish Achhipalia: Thank you Sir.

Moderator: Thank you. The next question is from the line of Rohan Gala from Subhkam Ventures. Please go ahead.

Rohan Gala: Sir, can you just throw some light on your capex plans for the year?

Anil Jain: We are looking at capex plan about Rs.2 billion or Rs.200 Crores approximately.

Rohan Gala: Sir, just followup on the previous question, I saw your margins like micro MIS margins you said to be stable, so you have seen the same range of 30% and going below that?

Anil Jain: Our margins over the last few years have fluctuated between 20% to 32% sometimes they are high and sometimes they are low around that range, so that is when I said margin will remain range bound we still expect margins to remain around these levels.

Rohan Gala: Same levels?

Anil Jain: This 20% to 32% band, sometimes they are more and sometimes less. We have always average around 30. There are few quarters you find that it may be 28.5% and there are few quarters we certainly go to 31% like fourth quarter where we sell lot more because of seasonality margins would be higher, but we end up around 30% consistently for the last three to four years.

Rohan Gala: So this year it will be the same thing?

Anil Jain: We do not expect big changes.

Rohan Gala: Are all your subsidiaries break even or are there losses over there?

Anil Jain: They are breakeven.

Rohan Gala: So there are no losses over there, right?

Anil Jain: With Rs.90 Crores EBITDA which they have about 14-odd Crores is depreciation and similar amount is interest so there is no issue there.

Rohan Gala: That is it. If there is anything I will just come back to you.

Moderator: Thank you. The next question is from the line of Mukesh Saraf from Spark Capital. Please go ahead.

Mukesh Saraf: My question is on the export side. Can you just give us the exports number for this quarter? You said 28 Crores is that only for the MIS business?

Anil Jain: Total exports this quarter was about 150 Crores and about 28 Crores was MIS and about 23 Crores were pipe, about 37 Crores was plastic sheet and between food division's onion and fruit we had almost 60 Crores from food process.

Mukesh Saraf: Sir, this African business the whole G8 from where they announced the value that you would be involved there with MIS can you just give us the size of the business and what duration would that be?

Anil Jain: As I said the whole G8 as well as the efforts we are doing in Africa is long-term because this will grow Africa initiative where they are trying to even create some basic infrastructure like raising water resources and then ensuring the farmer learn about the farming and so on. So these are medium to long-term projects. The projects which we are looking at in different countries where we have signed MoUs or we are looking at those if one total up those projects they are already about 300 to 400 million however, as maybe explain once more in Africa it takes time. There is a difference between cup and lip. You see everything is full but it still takes time before you will execute also there are credit lines involved, multilateral agency aide is involved and some of these issues take time but once you do it and we have successfully demonstrated few projects then we do get repeat business because they tend to constitute so especially in Eastern Africa we have already over the last two years we have done about Rs.80 to Rs.100 Crores of business. So compared to the fact that we have no business before that, that is quite a big jump, but we have still not reached to level where we can start saying okay this year I will do 50 million or 100 million in Africa, but the work which we are doing in terms of project preparation, MoUs which we have signed, the government credit lines one is working upon, they are very firm.

Mukesh Saraf: Basically this would be paid by the government of those countries?

Anil Jain: This would be paid by the government of those countries and if they do not have their own funds then they do get funds from either Indian government or multilateral agencies.

Mukesh Saraf: Okay, so there is no situation of receivables again over there as such?

Anil Jain: We are not going to move from fire to the (indiscernible) 51.44.

Mukesh Saraf: This will again all be part of only a standalone business?

Anil Jain: This business especially the Indian credit like business will get covered out of India only because that becomes necessary condition. We have some business being done out Israel into Africa, but those are dealer business, that is a $5 to $7 million a year, it is not very large.

Mukesh Saraf: Thank you. That is it from my side.

Moderator: Thank you. Mr. Vora, you may go ahead with your question.

Nikhil Vora: Anil Ji, a couple of things, one was we see the business had concerns regarding two issues one was on receivables and second was on capitalization, assuming that capitalization gets resolved in the next few weeks. Are you sensing that the government is getting more sensitized to the receivable issues for corporates working in this space, because I have already seen Godrej pulling out of drip irrigation as a business? They are obviously not there, but they have plans to be in that space. They have pulled out. We have seen even some of Israeli companies look at financing it through the NBFC, so is it getting a lot more difficult before it gets better or you think there are some signs of change?

Anil Jain: At different level, different things are happening as it happens in India it is very difficult to generalize and give one answer because agriculture is a state subject, so in every state things are at a different level. For example in Maharashtra, government is very clear that we are going to "X" amount of fund compelling to shoot "Y" amount of business, we are committed to paying of everything what you have done till that, but hereafter we are calling global tenders so that we can get lower pricing for the farmers, but thereafter it will be very clear that every proposal we accept you will know as a manufacture that government has accepted so many proposals, government is going to pay so much of money, but beyond that if you want to do the business, then you better do directly with the farmer, because government may not be able to support it. That type of clarity they are now beginning for example in Maharashtra. In places like Rajasthan governments are very clear that they need to do a lot more for their farmers and therefore they are trying to raise funds from every possible way, so that they can support these projects. Some places like Gujarat, recently Chief Minister of Gujarat made a public statement that he wants to bring every single acre under drip irrigation. Because he has seen the benefit accruing to the farmers, so underlying reality that drip irrigation is becoming an indispensable tool that reality and realization at the government level exists. In terms of how do you finance that in a most efficient and effective manner and that is what your question is. There are different solutions been brought about for example Karnataka is looking to create a similar type of corporation as Gujarat has done. Gujarat is very efficient. We get paid in 90 to 120 days. So Karnataka wants through follow the same route which is there. Andhra government is deciding earlier the whole program was very decentralized at the various district levels and they are finding at district level the project that is through the district level where taking different decisions and delaying things and now they are looking at consolidating and centralizing so that they can be one target which they can really focus and a small team can deliver from the government side. We have talked to the central government. Their more focus is that under Twelfth Plan they are trying to bring the whole rural, agri, infrastructure as one head under which the fund can be available for drip irrigation and water creation and they are trying to marry hereafter water creation as well as drip together. So there are a lot of positive signals (indiscernible) 55.38 from various levels, but sometimes you have to read in between lines and knowing that the India as all of us do, there is difference in translating the intent to the execution there can be sometimes delay, and the whole this changing of our business model is that to ensure that while the government intents an execution there could be delay, we should not get caught in between. The fundamental question about this issue of this business that there is a great demand for this product, because it is really indispensable. It creates enormous amount of value for our customers, but the customers themselves do not have too much of capital, so they need to get access to the capital. Now whether we provide that capital, whether government provide that capital, whether bank provide that capital or whether farmer generates that himself is an issue that is being discussed, debated and resolved and sorted out as we speak now and I think over the next few quarters it would become very clear that while government will be a supporter like a backs up support to the farmer, while the capital would be actually come mostly like now from banking systems to the farmers because on other hand as we have seen with all this new circulars on priority sector RBI has really tightening screws on the bank that they must lend to direct agriculture to small farmer through priority sector lending and when bankers look at their choice in that then giving loan to a farmer who is doing drip irrigation is far better than a farmer who is doing (indiscernible) 57.10 farming or a consumption loan to him, a capital goods loan gives a banker a longer term loan on their books about two to three years, because the farmer will grow more, the banker has ability to recover more and there are companies like us in between over ensuring KYC norm so that the bankers credit quality also become better, so when you look at this whole framework of what is happening on credit related issues, RBI requirement, banking requirement the way governments are changing their views, so I would not say that in next six months all the governments will follow one way and everybody will become very efficient overnight, but the signs are very clear, the message is going to the government that unless they start paying corporate in reasonable period of time then corporate may withdraw, may slowdown the sales and they will not be effectively cover the whole program and all of them want to do because farmers are getting so much of benefit from this.

Moderator: We will take our next question from the line of Princy Singh from JP Morgan. Please go ahead.

Princy Singh: Firstly some maintenance question, what was the decline in the domestic micro irrigation for the quarter that you have stated?

Anil Jain: Domestic decline was about 36% year-on-year.

Princy Singh: Second question is that good to know that you are getting capitalization of $200 million, but besides I just wanted to understand that when do you expect the business itself start generating cash?

Anil Jain: You would see that even March 2012, the cash we generated in the business it is paid for whatever interest tax, etc., and it also paid for all our working capital changes for the March 2012; however, the capex we could not cover, the growth capex was beyond the cash we had generated. For the current year that is March 2013 our expectation is that the cash we will generate will not only take care of interest tax, etc., will take care of working capital change if any and will also take care of the capex and some money would still be left behind, so the short answer is in March 2013 you should see the cash flow, even beyond our capex.

Princy Singh: This is a followup question, if you are confident that the business itself the fair things are heading can generate fee cash flow and can take care of commitment, is there actually a need to kind of capitalize or dilute because you are talking about some equity and some convertible portion to be $200 million that you are looking to infuse, so I just wanted to understand if that is the case then why should one look at diluting at these level?

Anil Jain: I think we had lot of discussions at the board levels and also with our advisors on this issue over last two quarters or so, so it is not a kind of a knee jerk decision which we have taken. It is a well sort out decision. The reasoning behind this decision is three or four, one if you look at our interest cost currently it is almost working out about 10% of the revenue or so in the immediate future we want to try and bring that down because that ultimately affects the earning and not only it affects the earnings but it also creates a scenario where company's ability to grow does not become sustainable. That is one part. The second part, part of the funds which we are raising would also allow us to pay off some of these long-term foreign currency loan falling due in near future so the Dollar inflow will take care of the Dollar outflows thus shielding us from the Rupee impact and any additional last minute volatility around the world which is out there. The third part is world is not a stable place while we are confident of delivering on whatever we are saying and we are literally working everyday to ensure that some of the things around the world in terms of currencies liquidity etc., are still under question mark because of so much of global volatility and we wanted to especially create some kind of cushion available with ourselves when we are going through this business transition because as I have explained over last two decades we have gone with one business model especially with micro irrigation business now we have changed the business model over last couple of quarters and more effectively now going over next two three quarters and when you go through such a transformation of the business model it is not nearly an incremental change you may end up with some surprises which you may not like and during that period of time you should have certain amount of cushion in terms of liquidity as well as the cost of the fund if you really look at our balance sheet for last few quarters you would see the balance sheet is also stressed out so to answer again your question to ensure lower cost of funds, to ensure better long-term short-term management of the balance sheet, to ensure match foreign currency inflows outflows and to create cushion as a management you know we are one of the largest shareholder into the company so we also do not like to dilute and the dilution is the last thing or as the last resort we would like to do. We believe the fact that our business model is going to improve and we are going to become free cash positive in the current year along with this fund raising together will create a platform for a long-term sustainable growth. We have grown for last nine years quite nicely except for last couple of quarters and we intend to do that again for next decade or so. We are not looking at that okay over next nine months I am going to do this or that and I am going to be somewhat more comfortable than today we want to one time do certain things so that while we really focus on out there in the market with this huge shift, we want to have backing up of liquidity and that stability in hand.

Princy Singh: Last question sir, historically if I look at your numbers over the last eight to nine years the company has been comfortable with gearing levels which have ranged between 1.2 and 1.3 times to 2 times so the leverage net gearing has been fairly if I may use the term high, now that you look forward to a new business model and you look at the next five to 10 years what is it philosophically about the balance sheet. I just want to understand how you are thinking I mean would you still be comfortable with this kind of gearing or do you have any gearing targets in mind just if you could throw some light on that and not on the near term I am just asking from the next three to four year perspective ?

Anil Jain: If you really look at the overall history because of our business of working capital intensive one way or the other, we have been even one to three times so on and we have survived that period and still managed growth but as we see the world around us with more volatility and so on as a company moves to the next level of growth and price we feel that that model of one to two or one to three while it is manageable in certain period of time it is not really healthy for the company in the long-term so we now thinking is more gearing towards the fact that over next few years we would rather have one to one or lower rather than one to two. Directionally we want to move more conservative in terms of gearing than aggressive.

Princy Singh: Thank you very much and all the best.

Moderator: Our next question from the line Avinash Gupta an Analyst. Please go ahead.

Avinash Gupta: Good afternoon. I just wanted a small query. What I understand is that you are saying that different state governments are having a different thinking on MIS financing how we are going to position ourselves and what kind of receivables we will be comfortable with?

Anil Jain: Our position is very clear. What we have said is that government receivables subsidiary related receivables are about in March 2012 were about 1100 Crores and by March 2013 we expect them to bring down by about 500 Crores so that leaves about 600 Crores that is the level we are comfortable with because that will remain in the rotation with the various State Governments and we are working with the individual State Governments to see how there models can change and whether their distribution of that subsidy matches with their intent of doing things faster. In fact if you go back to the Central Government guideline the guideline says that we as manufacture should get say by within 7 days from the supply but in reality there has been there is lot of difference because of the so called translation losses in terms of what the Central Government decides and what actually State Government does, and even what happens at the district level because which is fairly large retail business and some of the delay is not nearly either bureaucratic or the fact that government do not have fund, some of the delay is because of the physical challenges. One of the perquisite before subsidy could be released is that the government officer must go and inspect the farm and when we are dealing with few hundred thousand farmers every year this government officers have to go inspect the farm and when they inspect the farm that time farmer should be on the farm. Now sometimes these physical delays can create a large delay before they can release the money and because they bunch and release the money together if you have 10000 farmers they do not release money for two farmers and then another five farmers they combine together a package of 5000-10000 farmers and then release the money so that is the reason there is a delay and now as the farmer will start taking more obligation once we have this finance company then farmers we expect farmers to (indiscernible) 1.07.49 with the government to release money faster because he has taken obligation to repay the loan and then I believe the government will also tend to in response to the farmer need government will tend to be more eager to help farmer faster than industry or corporate per se generally speaking. So I think government's intent is good they have played an important role by providing the subsidy in promotion of this concept and we feel really grateful for what government has done and it has really helped the government also in terms of their balance sheet because their sales consumption subsidies for the government. So the reason we are changing business model is we are not comfortable with the level of subsidies we have. We plan to bring them down significantly in the current year and we are very confident it will happen. But let us talk more about that every end of the quarter as we have reduced by 120 Crores this quarter. We will talk more when we reduce further in September.

Avinash Gupta: As I understand that you are going to reduce it and you will not do the business where you feel that there is receivables in the form of subsidies would exceed 90 days or 100 days it does something like that?

Anil Jain: No there could be temporary period where some states where we have regular business and as long as the earlier money is flowing we might take only the same level of risk there. No state will be increasing the level of receivables we have.

Avinash Gupta: Now that means that on a (indiscernible) 1.09.19 business unless there is very sharp improvement in the disbursal of subsidy our MIS business would stagnate or could become smaller than what we were doing in the past like we are seeing 36% contraction in this quarter but other business is we are going to promote to bridge that gap again be on the growth?

Anil Jain: In terms of bridging the gap of within the micro irrigation business we see more growth opportunity into project business we see that we could grow faster in states like Gujarat etc., where money comes faster so it is not just between not growing micro irrigation business and growing other business. The choice is within micro irrigation business either through increase our exports by selling stakes where things are faster using our NBFC to sell more these are the ways we can still grow micro irrigation business so it is not necessary or logical that micro irrigation deficit will continue. It has definitely gone down in first quarter and if we have said that this will happen and I expect some other one or two quarters to remain quite weak but there after we expect it to come back in this various form. As far as other business is concerned they would continue to grow. I already spoke earlier today that our food and pipe businesses and solar businesses are growing so if you look at medium to long term all of these businesses should grow high teen and above.

Moderator: We will take our next question from the line of Rohan Gala from Subhkam Ventures. Please go ahead.

Rohan Gala: Sir FY'12 consolidated debt on books was around 3400 Crores so can you just give a rough idea for FY'13 what range it will be?

Anil Jain: We are expecting that while overall business will grow we are not expecting our debt to grow.

Rohan Gala: So you are on the same range?

Anil Jain: So right now by end of June actually our for example consolidated debt on March 2012 was about 38 billion and net was about 35 billion and now on June 30 the consolidated debt is around 39 billion so this a small increase in Rupee terms but in terms of Dollar it has actually gone down so we do not expect much increase by end of this March 2013 of course with the new this $210 million borrowing we would repay some of the existing one but not really major increase in the borrowing.

Rohan Gala: That is it. Thank you.

Moderator: We will take a next question from Renish Patel from B&K. Please go ahead.

Renish Patel: May I know the average cost of debt current as of June 30?

Anil Jain: It is around close to 11% between the long term loan and the short term loan and again a combination of foreign currency and Rupee that is what the standalone entity. The outside entity continued to be around close to 5%.

Renish Patel: Thank you.

Moderator: Our next question is from Manish Mahawar, Prabhudas Liladher. Please go ahead.

Manish Mahawar: Could you give me your break up of your sales and EBITDA and segment wise MIS, Pipe and plastic sheet this four businesses for the quarter?

Anil Jain: For the quarter the sales we talked about MIS is about 330 Crores, the pipe is about also 300 Crores, the sheet was 40 Crores and food did about 130 Crores.

Manish Mahawar: What is the EBITDA for these four businesses?

Anil Jain: In terms of the EBITDA we have maintained EBITDA percentage about 29% odd for MIS so that takes it about 96 Crores, Piping was about 21 Crores and Food should be close to 40 Crores.

Manish Mahawar: Sheet could be?

Anil Jain: It is small amount 3.5 Crores and rest you can say just others.

Manish Mahawar: Could you if possible you can give me a number of basically your key states contribution growth or degrowth numbers in key states like Maharashtra?

Anil Jain: For competitive reasons we do not want to share by the states but I can tell you one thing that except in Gujarat and Rajasthan where we have a growth the rest of the states we had a negative growth in the current quarter.

Manish Mahawar: Sir in debt could you if possible like there is a break up like forex and INR loan in this 3900 Crores loans?

Anil Jain: For example on the domestic side this India basis we have about $150 million in the foreign currency and rest was in Rupee and of course consol debt remains to be around $180 million in that range.

Manish Mahawar: Thank you Sir.

Moderator: Our next question from the line Gagan Thareja from Sunman Investments. Please go ahead.

Gagan Thareja: Good evening Sir. A couple of questions. Post the raising of funds that you have planned effectively your cost of debt can come down to what levels one and second you are saying that in MIS the acceleration in sales will happen may be in couple of quarters from now so this slowdown in sales is probably more of a deliberate decision from your side rather than issue of demand and therefore is it subject to certain events or certain subsidies flowing in and your take on that and is there any time lines we should be looking at?

Anil Jain: I think as I said earlier already I do not want to talk any particular timeline. The dynamic situation and every state functions and different way. The monsoon and weather also plays the role so crop prices play the role and so on but despite that overall for fairly long period of time we have maintained growth. So in that essence when I talk about that this was what we did deliberately also what affected us partly cotton season and drought in certain areas I spoke about that. Now so going forward we expect as things go long we have higher prices for agriculture produced for the farmer would also for investment from that side. A lower monsoon means people tend to value water mode so that should help and the change in the our policy and the government policy and availability of NBFC a combination of all these two three factors could also help us to further growth apart from whatever export additional exports we might get but we cannot give any time line because all of this is too dynamic.

Gagan Thareja: First question was on the cost of debt post refinancing when would the interest cost come down now at what levels?

Anil Jain: I think it is too early to early that but we expect the new funding overall cost of new funding would be may be around 3%-odd of what funds which we are raising when you combine all put together and that will get replaced the debt which is about 11% of average cost debt so to that that much of impact will be there. I did say that we would reduce on annualized basis we are expecting the rate of interest between this 80 and 100 Crores and currently overall interest is about 400-odd Crores so that would mean that the reduction overall would be about 20% to 25% in absolute amount of interest.

Moderator: Our next question from the line of Mr. Tushar Karande. Please go ahead.

Tushar Karande: My question is regarding the tax liability, I just wanted to know for which states you are peaking the ATI benefits.

Anil Jain: ATI benefit is more for our food processing because that falls under ATIB and ATI is more for the energy generation we already have investment in being down solar so that's a combination of ATI and IB.

Tushar Karande: Okay it is not for the MIS business on specific?

Anil Jain: No that is doesn't qualify for ATI& IB no because it is not irrigation business in that sense.

Tushar Karande: Also sir my question is about the material consumption are we seeing that the raw material prices are increasing and also there is an increase in exchange rate, but as we see according to the sales the material consumption is still constant any specific reason sir?

Anil Jain: That is change in the product mix.

Tushar Karande: Thank you Sir.

Moderator: Participants that was the last question. I would now like to hand the conference over to Mr. Vora for closing comments.

Nikhil Vora: Thanks all the participants for being on the call and thanks management especially for this. Anil Ji just in case if you want to make any closing remarks.

Anil Jain: Overall we have fairly conveyed very clearly that we believe this is a temporary and transient period where we have going to business change. There are going to be few quarters where things will not be what they have been for last eight or nine years but as we change the business model and as we start seeing more and more signs of farmer willing to pay cash, government willing to change as we launch our NBFC some of the growth sale etc., that change will take place but what I am fairly confident is that recovery of the money with all what we have seen what it started January to March quarter has continued in April to June and will get accelerated as we go along and as we have addressed both capitalization issue through fund raising and the receivable issue as you had summarized through all this business model change then I thin 2013-2014 onwards we look forward to again a very sustainable growth in this entire agri food renewable energy space in India as well as outside.

Moderator: On behalf of IDFC Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.