



“Jain Irrigation Systems Limited Q4 FY-’13 Earnings Conference Call”

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ANIL JAIN: **MR. ANIL JAIN – MANAGING DIRECTOR, JAIN IRRIGATION LTD.**

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MODERATOR: **MR. NIKHIL VORA – MANAGING DIRECTOR, IDFC SECURITIES**

Moderator: Ladies and gentlemen good day and welcome to the Jain Irrigation Q4 FY-'13 Earnings Conference Call hosted by IDFC Securities. As a reminder for the duration of this conference all participant lines will be in the listen only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference please signal an operator by pressing '*' and then '0' on your touch tone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Nikhil Vora from IDFC Securities. Thank you and over to you sir.

Nikhil Vora: Thanks a lot, welcome to you all to this Q4 FY-'13 earnings conference call of Jain Irrigation. We have with us the management team of Jain, Mr. Anil Jain -- Chairman and CEO, Mr. Manoj Lodha - CFO. Over to you Anil ji to make the opening remark and then we can open the floor for Q&A.

Anil Jain: Thanks Nikhil. Welcome everybody to this con call. Our company has had its board meeting 2-days-ago where we announced 4th quarter results as well as the results for the entire year on stand alone and console basis. In terms of our performance, compared to the first 3 quarters when we had negative revenue growth this is the first quarter after those 3-4 quarter where we have turned positive, almost at the same level as last year so that was a big plus in the quarter which has passed by. We have been in different segments of the business within the quarter which has passed by. Micro-irrigation continues to be negative, we had a minus 20% growth in MIF business in 4th quarter, which was kind of expected because when we started the whole change in business model we had said it might take 4 to 6 quarters for us to adjust every thing and I am happy to note that the last quarter i.e. 4th quarter was the last such quarter of the adjustment. From the current quarter i.e. April to June FY-'14 we expect that micro-irrigation revenue which was minus 25% for the entire last year will start becoming positive and for the whole year in any case we expect to have substantial growth in that segment now. PVC pipe business since 4th quarter grew almost 25%. P-pipe was similar at last year same period, onion business grew 13%, fruit business grew 29, solar business 34%. So various other businesses already showed good traction in this quarter of January to March so that was quite heartening to note. And I am also happy to convey that as we see in the current quarter i.e. April to June some of this growth for products like pipes has continued even at a higher trajectory. And that shows to us part of that may be was this acute drought in Maharashtra which affected us negatively in the micro-irrigation business but it created more positive demand into piping business. For the whole year the business in India came down to by about 8% or so approximately in total because of the reduction. Our net sales were at I think about 3400 as against last year 3700 crores, so that is minus 8.2%. So we kind of improved compared to where we were end of the 9-months I think we were at about minus 12% end of 9-months and so it had become minus 8%. And overall for '13-'14 FY we are expecting company to be significantly positive growth as against negative revenue growth which we have in the last year and the last quarter we were neutral. In terms of margins during this particular quarter, at the EBITDA level our margins were quite close to what we had last year same period year-to-year. Our EBITDA level margins were last year 20.8 and they came to 20.4 now major difference has been micro-irrigation because of the lower capacity utilization and also higher polymer cost. Other businesses where within the band, there was not much difference, polyethylene pipe had some improvements in their product line in terms of margin but whatever you see in terms of lower margin came primarily due to the changes in the structure of micro-irrigation business which we have explained earlier and

that was part of the whole business model change. What we have also been able to do for this entire year is that as we had planned we have been able to reduce receivable for the entire company primarily due to changes in micro-irrigation business we have been able to reduce receivables at gross level itself by almost 400 crores. So that is a significant amount we have been able to do but as one can analyze the sales also came down for micro-irrigation business for more than that amount and because of this reduction in the sale DSO or the days outstanding against sales have continued to be almost at similar level as March 12 even though in absolute amounts we have been able to reduce receivables quite a lot now as we move into FY-'14 we expect now sales to grow and will continue to work on the balance sheet side and receivable side so when the receivables will go down and sales will continue to grow we expect in the current FY-'14 the days outstanding against sales should come down significantly. Other thing which probably participants are aware but just to reiterate we have completed the fund raising which we had started in October, there were three parts to the fund raising, one was a convertible bond and these were being subscribed by ISU Washington as well as development financial institutions based in Europe. We had an equity which was again IFC and a private equity and we had some long term loans ECB loans which are kind of 8 to 10-year period loans. Part of this amounts were going to come now and earlier almost I think 85% we had received earlier about 15% was going to come now. And that has happened end of April so that part has been now totally completed and we have honored all those obligations and in fact as a part of the full transaction in end of March we did pay 45million dollars which was one of the long term loans which we had from Lehman Brothers. So in terms of honoring our financial obligations since then we have been right on the dot and our entire exercise of reducing the short term date which used to create liquidity pressure and converting them to long term has already happened. Slowly during FY-'14 you will start seeing positive impact in terms of bottom line as well even though it has not happened as of now because last year when companies revenues were going down and we had at PAT level on quarterly basis some losses especially due to the change in Forex as well marked to market. The rating agencies had brought down the credit rating of the company which resulted in higher cost being charged by the bank. Recently there was one upgrade done by rating agencies but we have still not reached the investment grade. We expect that with the June quarter being profitable quarter and growth oriented quarter and the fact that we have had very good financial coverage now in terms of availability of credit lines and the cash availability etc we believe rating agencies should at that best next opportunity in the second quarter of this fiscal take us back to investment grade and once that happens we believe we will be able to access short term markets at lower rates as well as get the summary negotiations done on the existing working capital borrowing. And that should result into lowering of the interest, mean while by better utilization of working capital and by reducing the usage of working capital lines we are already trying to save certain amount of interest and that impact you might be able to see already in first and second quarter but the major impact after the change of the credit rating and access to commercial paper market will come in 3rd and 4th quarter. So that has been the more or less last year for us, now in terms of looking forward in terms of future based on what we have been seeing recently we think almost all of our business line which are significant or materially big business line are getting significant opportunity to grow and we believe with the changed business model in micro irrigation and more focused on cash flow even in other divisions we think now this year '13-'14 we will be able to grow business considerably and at the same time we will improve the balance sheet also. So when we started this whole process last year we improved balance sheet but we de-grew the P&L. This is the year we will improve the P&L as well as we will continue to improve

the balance sheet. So that is the clarity we have and that is the decision the management and the board of the company have already taken. In terms of different business segment in micro irrigation we will continue to calibrate our business what we call retail business where we sell to the farmers through the dealers will continue to sell and grow in certain states like Maharashtra, Gujarat, Rajasthan and few others and we might taper down or readjust the business in the states where we had longer receivables such as Tamil Nadu, Andhra Pradesh, MP and others. And as we do that we believe we are creating a better mix now where we can have growth and improved receivables. We expect this year that our, what we call project business will improve a lot because we have been working on some of these projects for long time and now they are coming through and that business would have also a better receivable cycle. In terms of third aspect of micro irrigation business is exports and in exports in fact we are looking to double the business and those kinds of orders we already have in hand. So it is not part of planning but it is part of something which is already kind of in hand. So we feel fairly comfortable to say that in MIS business in FY-'14 we are looking to go back to growth rate. Now some of our growth as you are aware depends on monsoon and few other things which happen but despite these particular issues of monsoon or any other issues we expect that we will definitely grow at least at 20%. If some of other things fall in place as we are hoping then the growth could be even more than that 20%. So that is for the MIS business. So back to growth track and structurally speaking few things have happened in this period like Maharashtra Government saying that they want to ensure that all the sugarcane factories will buy from farmer's drip irrigated sugarcane. That is a large business opportunity, we have to see how it goes but we have already seen sugar factory wanting to buy more and more. The season only starts in October so one would, first year impact of this new policy, one will see there to be able to capture full business opportunity government will have to find a way to create more availability to have financed to sugar factories through either NABARD or sugar development fund and or any specific proposal or a package so it is in work let us see how it evolves, even if that does not come full right now we still expect sugar factory business to continue for us in the current year. We are also seeing that various governments actually day before yesterday in Karnataka the new government came and earlier government was already quite bullish on using micro-irrigation for in the irrigation projects as a last mile connectivity and if one is able to read into press conference the new government took they said that they are planning to spend 8 billion\$ in next 5-years to complete the whole irrigation and they said they going to emphasis usage of more micro irrigation in all the irrigation projects. So like that in terms of policy and direction, we see that because of acute shortage of water and the fact that the benefits of drip irrigation are multi fold including productivity increase and others we are seeing more and more governments are wanting to say that all the irrigation projects now they will definitely start connecting drip in sprinkler. Now some of these projects need to get properly financed under accelerate irrigation benefit program by Government of India and or they do bond raising and or they can get either World Bank or multilateral credits. So this is how these projects are financed, so in this projects again going forward at least the way we are planning to execute those we will expect lower receivables cycles than what we used to have in the past but we as a company have I believe more withal and knowledge base in terms of planning, designing and executing these projects than anybody else in the country today. And we want to utilize that knowledge so that the farmers will benefit and the governments will get efficient work done in a very short period of time compared to what they are used to in delivering this large infrastructure projects. And the benefit, some of the projects where we have worked within two years or one and a half years people have been able to see benefits which have been earlier unheard

of. So we think that is our competitive advantage and that should help us as more and more tender business on this count will come to during current year and years going forward. So that is about micro irrigation business. On other businesses as I said pipe has continued to do well. Earlier our PVC pipe business was limited more to Maharashtra, Karnataka and adjoining states but last year we had started this whole new factory in Alwar in Rajasthan. And our Southern pipe manufacturing units Tamil Nadu and Andhra have also take shape now in terms of our dealer network, so we expect the growth will continue into pipe business because now we would be selling into larger number of states than what we used to do before and overall as a industry, everybody is doing well as you might have seen from the news release of some of our competitors in that business that everybody is adding new capacity. We also plan to add about 50,000 tons of capacity into PVC pipe business. Polyethylene pipe business is a business related to infrastructure and as everybody knows parts of those infrastructure projects have been slow to take off but some of them are coming through we are seeing more and more demand from cable duct application we are seeing some water applications to grow and as a management we have also taken a call that we will be strengthening our retail sales business in Polyethylene pipe which is actually higher margin and better cash flow. And as we are building more of this a dealer network across different states that will serve both of this pipes PVC and Polyethylene pipes business well. So after 2 or 3-years of almost same level of revenue this year we also expect PV pipe business to grow at North of 20%. In terms of the food business last year we hardly grew about 3 or 4% in sales value but our quantitative growth in food business in fact was much higher. Now in terms of value it did not come through because our raw material cost of mangoes was much lower but this year we have more higher price fruit so expect this year that overall growth now will come back which as last year was muted on sales side even though quantity was more and this year again that business is expected to grow well. Even though we had a challenge on onion side because of drought in Maharashtra and Gujarat, where onion prices were high but this year everybody was expecting monsoon to be much better monsoon than the last year and therefore next season should be better even for onion.

And on Food side while we continue to build on the strong position we have in market on things like mango pulp and banana and guava etc we would also be investing into spice processing because onion is a spice and we believe spice is a growth oriented business for us which is similar custom based globally we have and our UK subs **SQF 19.24 quality**, they do sell already spice in retail market there as well as in repackaged small format. So this investment we are making in spice business and we hopefully started in the fourth quarter is the new business line we are adding and we are quite confident that this business will continue to grow in future quite a lot. Two small businesses quickly now, is tissue culture and solar. Tissue Culture business continues to grow very well, in fact it grew this quarter 138% but even for the whole year it grew quite nicely by about 54%. And there apart from the bananas we used to do last 1 to 2-years we have been doing pomegranate and that has been more profitable and we are looking at adding one or two more crops on tissue culture side so that business seems to also that it aids our drip irrigation business and it will continue to do well on its own. Solar energy we have been focused on off grid side selling more pumps selling more lanterns, selling solar water heaters and others rather than just supply modules to the grid side because that part is very competitive and there is a Chinese competition there etc. But this off grid side is growing well for us, last quarter was 34% growth but even for the whole year we grew about 30% in that business. And we think we are looking forward to similar level or somewhat higher level of growth going

forward as lot of Indian companies in private sector as well are now embracing solar as one more sustained renewable energy source. Now to quickly cover our overseas entities; for overseas subsidiaries they have grown in 4th quarter almost about 17% in total in various businesses grew at different levels but at most of the places we had a positive growth in forth quarter and overall these subsidies are looking to continue to grow in FY-'14 and I would say they can maintain their growth levels at lower double digit numbers and then overall that would help us to maintain as a combined entity consol entity a positive growth. Now for the whole year in FY-'13 our revenue is almost match the earlier year, we had a small positive growth, so even in India we had a negative revenue growth, overall we came out well because our overseas entities grew. And I think that will help us again in the coming year. I have not touched much about the net margins because as I said our overall EBITDA for this year was lower and the reason EBITDA was lower because micro irrigation business was lower and that business contributes most to our margins and I think that fact is already known to the market, but as we now go back to improving sales in micro irrigation and addressing some of these other issues that should help us and oil is expected to now remain stable or go lower that should help. Rupee one has to still wait and see which way it goes but all in all at the start of the year we feel fairly comfortable we have good visibility to say that in most of our businesses we should see positive growth momentum and as a company we should look for growing about more than 20% in total. So this is my opening remarks, it is in almost closer to 29-30 minutes now I would like to open the floor for questions. My colleagues are here as well and they would be happy to answer any specific more detailed numbers questions you may have. Thank you.

Moderator: Thank you very much sir. We will now begin the question and answer session. The first question is from the line of Rahul Agarwal from VEC Investments. Please go ahead.

Rahul Agarwal: Could I get segmental sales for consolidated numbers for FY-'13?

Anil Jain: In terms of our micro irrigation business for FY-'13 was at about 2290 crores in terms of sales. Piping was 1115, sheet division was about 215, I am talking in crores. Fruit business was about 420, our onion business which includes two of our overseas food subsidiaries was about 600 so overall food divisions was 1000 and solar was about 220 and others. So just to summarize about 2300 in MIS, plastic business was about 1300 and food was about 1000 and rest of the others.

Rahul Agarwal: You said MIS exports should double next year, what was it this year about 175-180?

Anil Jain: 132 or so. I mean exports for MIS were 132.

Rahul Agarwal: 132 okay and one last question on, how does the rupee depreciation or appreciation impact you in the sense positive negative both on domestic business as well as international plus on revenues and balance sheet?

Anil Jain: There are 3 parts to it as you asked this question; one we have certain exports like fruit pulp or onion and so on, their rupee depreciation helps immensely because we do not have any import content. But at the same time for plastic division where we make micro irrigation of pipe time to time we have to import raw materials and that increases the price of the raw material when rupee depreciation takes

place but even if buy the same raw material domestically most of the manufacturers make their pricing in India based on the imported landed price equivalent. So I do not think it really impacts in that sense to us. In terms of balance sheet, we have a large amount of foreign currency loans, almost close to about 200million\$ and those are un-hedged loans because these are long term loans and any rupee depreciation impact and we take that every quarter on a mark to market basis directly to P&L.

Rahul Agarwal: Got it. And just one small question was on debt repayment, you said you repaid 45million\$ of debt right? That is the same ECB which you had mentioned last quarter, right, which were about 250 crores which was supposed to be pre-paid.

Anil Jain: Yeah that has been done.

Moderator: Thank you. The next question is from the line of Sameer Shah from Value Quest. Please go ahead.

Sameer Shah: Two questions one is on the interest cost we are seeing right now the run rate is still about 100 crores. So when do we start seeing that decline due to the fund raising?

Anil Jain: Actually if you see the quarter interest impact has come down from 100 crores to 96, marginal improvement is there because part of funds were still kept in the fixed deposit and on which we are earning a dollar return. By end of this quarter in fact we are utilized now a whole of the ECBs and FCCB fund so I think from the current quarter which is April to June you would see reduction and as we go towards the third and 4th quarter you will see more reduction happening as Mr. Jain had said earlier because that time we can have a rating impact and also possibly the overall reduction in interest rate as well. So that is the kind of a run rate we are anticipating.

Sameer Shah: Average for the year would be around 90 crores?

Anil Jain: Average yes. We are expecting somewhere between 330 to 340 crores as the annual interest cost stand alone. That partly depends if the interest rates do come down more then you could look at more but our effort internally is that if we do hit less than 90 crore in the current quarter then subsequent quarter should continue to become better that what it was the first quarter. Average should be less than 90 in normal scenario but if the market interest rates reduced a lot then may be it would be better.

Sameer Shah: As I understand most of our debt is foreign debt so the domestic rate reduction will not impact us that much, right?

Anil Jain: Almost about 1500 crores working capital is all domestic right.

Sameer Shah: And another question is on the Tamil Nadu receivables are they still slow or are we seeing some?

Anil Jain: We continue to see reduction in every single state. So I think this year mostly everything should become normalized.

Sameer Shah: And this Maharashtra Government rule on sugar companies, how is in terms of process I mean will it be notified or where is it, it is the recommendation or directive?

- Anil Jain:** Right. As the governments are it is somewhere in between, right, so they have made this announcement in legislative assembly and so on. They have come that out as a guideline as well and they cannot force farmers to buy drip irrigation so what they are asking sugar factories that if the sugar factories buy sugarcane which is not produced without drip then they can cancel the sugar factory license. That kind of stop making mandatory, I believe that there is already a need felt by sugar factories themselves because in the smaller areas farmer can produce more supply them, better quality etc. So now it is not a question of how it is being made mandatory and whether everybody does it because even if everybody wants to do it right away I do not think industry or anybody just has capacity to handle, just physical installation because it is almost a million hectare. I think this opportunity would pan out to 3-5 years. And even if only half the people do it for 3-5 years even then that business means 3 or 4 times than what it is used today.
- Sameer Shah:** But the working capital cycle in that business, the sugar, will be like industry, so that will be higher than what it is?
- Anil Jain:** That is the whole point I am talking about. This would really become full reality. When the financing is available that you supply and you get paid, and the financing agencies, whether it is NABARD or banks or whatever, they would get paid whenever the sugar factory pays to the farmer out of the cane funds. So sugar factories typically cut out of the proceeds they are going to pay to farmer for sugarcane and pay back to the lending agencies. Now, we already started working on this basis with few sugar factories, either working with banks or with our own NBFC, and the model going forward will work is that when we are supplying we are getting fully paid but the financing agency will get paid over 18 to 24 months depending when the sugar factories are going to pay back the farmer for the sugar cane.
- Sameer Shah:** We have tied up with State Bank of India and our own NBFC. What would be the current lending of NBFC and what is this tie up, what kind of benefits can it yield us?
- Anil Jain:** NBFC started in that whole November-January period. And we just started in Maharashtra. And Maharashtra has been suffering from acute drought as you know. So farmer had no water to drink, forget about irrigating their farm, so there was no sales of drip irrigation. So NBFC would really start fully function from the current year before monsoon, before June-July, NBFC would have reached to a level of about 30-40 crores of lending and that would mean about 5,000 farmers approximately. So as a startup it is quite a lot to do all and get all the process and set up. In terms of coming to the bank, the NBFC is going to just start in Maharashtra. Our MoU with SBI is for the entire India. Some places where banks are able to reach to the farmer and are willing and happy to give loan to the farmer, will be very happy to work with the bank because if the bank lends it to a farmer we get fully paid and we do not have to provide any capital as we are providing certain amount of capital to NBFC. So I think as we go along, we will have both of these things running. We will have MoUs and relationship with a few banks, whether SBI and a few more, where they might have their own existing customers, would like to buy drip and it becomes easier for the bank to lend to them, because the banks do not give NOC when somebody else wants to lend sometime. So we would have commercial banks because commercial banks are now required to do more direct

lending of agriculture as you might have read about this whole RBI story. So I think we will need both. Our own NBFC in certain areas and the commercial banks who have much better and deeper reach than what we have.

- Moderator:** Thank you. The next question is from the line of Arya Sen from Jefferies. Please go ahead.
- Arya Sen:** My first question is on the receivables side. If you could share the figures on gross receivable in MIS as well as net receivable ex of securitization?
- Anil Jain:** Gross receivables in MIS for March '13 were about 1222, which was almost about 100 crores less than the December number we had. And March '12 was 1715.
- Arya Sen:** And what was the net receivables post-securitization?
- Anil Jain:** Post-securitization was 934.
- Arya Sen:** And last year that would have been?
- Anil Jain:** The total was 1351. Last year securitization was about 420 crores. This year it is down by almost 100 crores.
- Arya Sen:** Secondly, your margins in the MIS business has been declining. You said that it is mainly because of decline in sales. So going forward if your sales were to expand again, what sort of margins can we expect and what sort of range of margins are you looking at going forward because your business model has also changed, so that also will have an impact but at the same time you hope to receive growth, so if you could give some sort of a guidance on what range of margins looks likely in the MIS business?
- Anil Jain:** Broadly, we have always talked of a broader range of 25-30%, and between '10 and '12 for almost 2, 2.5 to 3 years we were very close to 30%. This year we have ended close to 27% as we speak in terms of EBITDA level margins. Now, a reduction in margin partly was due to lower sales, partly was also increase in raw material cost like polymers, in places like Maharashtra due to drought we were not able to pass on the increase in energy cost and others. Going forward, in FY14, in normal course, we should maintain the margins we have now which is about 27% but as our NBFC picks up, and we get fully paid by the farmers, we will be giving a little bit more cash discount. And impact of that cash discount depending on the total business done by NBFC maybe another 1, 1.5% in total. So I would say worst case scenario would be 25%. If everything goes well, we could still maintain where we are at least for this year. And maybe from next year as we have more retail sales and so on, margins can go back to earlier level, but as of now, I would feel comfortable to say that we will maintain within(+/-1%, 1.5%) of where we are now.
- Arya Sen:** What was the CAPEX in the standalone in FY13? And what is the sort of guidance for CAPEX for FY14 & '15?

- Anil Jain:** I think our CAPEX has been at about 191 crores for the last year. And for the next year CAPEX to be done into different business lines, like Pipes, we are adding capacity or in Food, we are adding Pipe project, etc. so including maintenance CAPEX we should maintain around 190 crores, but growth CAPEX maybe around 140 crores.
- Arya Sen:** So you mean 190 plus 140 crores?
- Anil Jain:** No, no, I will repeat that. We did 190 crores last FY13, which included maintenance CAPEX as well. For the current year, that is FY14 we are expecting to do similar level about 190 crores, out of which about 50 crores would be maintenance CAPEX or replacement CAPEX and 140 crores would be the growth CAPEX.
- Arya Sen:** So going forward you expect growth CAPEX to be higher than what it was in FY13 but overall CAPEX to be flat?
- Anil Jain:** Yeah, overall CAPEX to be flat.
- Moderator:** Thank you. The next question is from the line of Manish Mahawar from Edelweiss. Please go ahead.
- Manish Mahawar:** My question is on your cash flow front. Basically, just I think we have raised from equity dilution roughly 400 crores and I think the receivable down by almost 400 crores. So roughly 800 crores is your basically cash inflows. So, what is basically the outflow in this part actually?
- Anil Jain:** Outflow has been partly the money which has gone into inventory, you might have seen that our inventory have gone up. Part of that has gone into our overseas investments as a part of the whole structuring of the ECB, etc, and part has stayed into the business in current assets, because as we move into these projects, there were some advances related to the project and the capital goods, both, and that is why the funds have been absorbed as of now.
- Manish Mahawar:** But can you give me figures of how much is basically the subsidiary investment we have made and how much is basically this project advances lying in dilution right now?
- Anil Jain:** We made about 230 crores of the overseas investment. Out of that the overseas companies could repay 60 crores back to parent. We also repaid about 170 crores of a loan in our overseas subsidiaries to the outside lenders. And some small 30 crores has been used for the working capital of those subsidiaries. So effectively, if you see the overseas investments only 30 crores was used by them for their own growth, rest of the money either we use to repay their loan or loan which a parent gave to them, so that came back, that was one. On the other current assets, there was an increase of about close to 150 crores. Out of that somewhere around 58 crores is a project advance which we are doing in Rajasthan, the ongoing projects and partly 80 to 85 crores was like a trade advance for our procurement of agro commodities, as we speak they are getting liquidated. So that was the usage of cash for the last, and also about 56 crores we invested into NBFC.

- Manish Mahawar:** And inventory would be I think 350 crores.
- Anil Jain:** About 350 crores.
- Manish Mahawar:** That will be the breakup. And second Sir, could you give me a breakup of your receivables in terms of basic, government, dealer, institutional projects, as on 31st March.
- Anil Jain:** in terms of total figure I told you already, so you are looking for, Government is about 680 now,
- Manish Mahawar:** Dealers would be?
- Anil Jain:** About 192 would be the normal dealers, about 100 crores would be what we call institutional, like sugar factories and others, and project would be about 240 crores and government subsidy about 680.
- Moderator:** The next question is from the line of Umesh Patel from KR Choksey, Please go ahead.
- Umesh Patel:** A couple of questions from my side. Since I have noticed that since past two quarters we are expecting business to improve in giving every time optimistic guidance, which did not happen nor is it, reflected in the numbers. So what was the reason behind that and we are getting queries from institutional side about the guidance. Do we believe that this time also we will be able to achieve the said growth of 20% in MIS segment?
- Anil Jain:** Yes, I believe going forward for FY14 achieving growth rate of more than 20%, we believe as of now we are very confident. In terms of the last two quarters, I think generally we have been speaking and I will try and recollect my notes, but we have been saying that we would remain and have a negative for some time to come. In the fourth quarter we were expecting things to stabilize, but some of the projects, we were expecting, especially in Karnataka, it did not come through because there was a code of conduct due to elections and even though we were L1 in tender, the tender was not released. So that was the specific reason in fourth quarter, but generally whole market was aware that we will not be able to meet the numbers or we will have a lower growth in micro irrigation and third and fourth quarters we suffered especially in Maharashtra, which is one of the biggest states in terms of sales due to the acute drought and if you are from Maharashtra you might be reading in the newspaper the farmers do not have water to irrigate, so of course we could not sell there much.
- Umesh Patel:** Okay and my second question is, just wanted to know what is the land bank in Jalgaon, and what is the value of it.
- Anil Jain:** I mean the land which we have in Jalgaon as well as other places, you know, it is three to three and half thousand acres. The land is on our books based on acquisition value, which is very nominal value, because this has been acquired over a long period of time. This land is being used by the company for research and development purposes and for demonstration purposes, for training purposes, we train the farmers, we train our dealers, and so on. So, it is not the kind

of land bank which is, we are going to utilize as of now to either monetize or it is not the land where we are going to build residential building. This land is very integral part of the business which we are building to serve the farmers, to improve productivity, and to bring a lot of R&D and innovation.

Umesh Patel: But can you give me a ballpark figure what is the value, approximate value, market value of that land bank.

Anil Jain: To be honest, I don't want to hazard that guess. As you know, all over India, after metros and cities near metros now tier II, tier III prices are going crazy, and if I take one or two transactions which have happened near our land, then the amount of the valuation of the land is 10, 20, 100 times more. So it can be equal to my book value today of the whole company, so in that sense those numbers are so crazy they don't make sense to be mentioned.

Umesh Patel: Last question was related to the opportunity that is waiting for Jain irrigation in sugarcane business, particularly in Maharashtra, Just wanted to know your sense, if I believe that there is around 10 lakh hectares available in Maharashtra of which 50% is already covered in drip irrigation system, if I am not wrong. Second thing, what is the market share of yours in Maharashtra and what is the value opportunity awaiting. If suppose it is implemented.

Anil Jain: Okay, just to clarify. Total area under sugarcane in Maharashtra is about 1 million hectares; you can give or take two thousand. Out of which 10% is covered with drip and sprinkler. 900,000 hectares is a land which is done, being flood irrigation. Approximate cost of a complete drip irrigation system for sugarcane depending again on various combinations, would be between 100,000 to 125,000 rupees per hectare. So if you take simple math for hypothetical example of Rs 100,000 per hectare multiple that by 900,000 hectares, that you will give 9000 crores business opportunity if it gets fully implemented over a period of time. Our market share in Maharashtra is about two thirds.

Umesh Patel: It means 60 to 65%.

Anil Jain: Yes.

Moderator: The next question is from the line of Abhijit Akella from IIFL. Please go ahead

Abhijit Akella: First of all if you could just help us out with this segment wise, the division wise EBITDA margins if possible, Sir, We got the revenue numbers, but if the EBITDA margins, If you could give.

Anil Jain: You are looking for fourth quarter or for the whole year.

Abhijit Akella: Both would be great.

Anil Jain: Fourth quarter, EBITDA margins in micro irrigation were 25.4, both pipe businesses were closer to 8.5, and onion and fruit were in high teens between 16 and 19, tissue culture was 30

and solar was also low teens, about 16. That was the fourth quarter. For the whole year, micro irrigation we ended closer to 27. PVC pipe was 8, and p pipe was closer to 6. Onion came down closer to 15, while for the fruit for the whole year we were closer to closer to 23. Tissue culture was north of 30 and solar was again around 16 to 17.

Abhijit Akella: Also would it possible to give us a break up of the MIS revenues by the customer segment, Sir, government projects, the sugar, the institutional sales, and the retail business for FY13.

Anil Jain: Yes, in terms of last year you are talking about. Our exports were about 130 crores, our project was also 130, and the retail business was about 1141.

Abhijit Akella: Okay, and the institutional sales, the sugar mills.

Anil Jain: The sugar mills, actually, they become part of the various states, but I would say, our annual sales out of this 1140, which is what state wise sales we had, sugarcane business would be close to about 150 crores.

Abhijit Akella: In terms of the outlook for FY14, then looking at these various categories, so exports you are expecting to double.

Anil Jain: Exports would double. Our projects will also grow about 90% and retail business we expect to grow about 50%.

Abhijit Akella: Okay.

Anil Jain: Now all of that comes together, that might add to close to almost 30%, but that if everything falls through, and therefore we are saying we are quite certain that we will definitely do 20%.

Abhijit Akella: Right, and on the project side, do we have adequate visibility, that those project deliveries will happen within the next year itself.

Anil Jain: Yes, project and exports we have almost kind of orders in hand type of scenario.

Abhijit Akella: Okay, and the execution will happen within the next 12 months.

Anil Jain: These amounts which I am talking about are for execution this year.

Abhijit Akella: Sure, and on Maharashtra, how much was the MIS sales for FY13.

Anil Jain: We were about close to 560.

Abhijit Akella: Okay. Just switching gears to the cash flows, could you give us the cash from operation for the year, because we have had a big reduction in receivables, were we cash flow positive in FY13.

- Anil Jain:** In terms of operational cash, we were definitely positive. So cash flow from operation was positive at 405 crores, but that is before interest. That was the standalone, and for the consol, the cash flow from operations was in fact better, this was at around 291 crores.
- Abhijit Akella:** Okay consol was 291 versus standalone was 405.
- Anil Jain:** Correct.
- Abhijit Akella:** Okay, and how much was the consol CAPEX.
- Anil Jain:** I just repeat, that cash flow from operation for consol was 320, not 290.
- Abhijit Akella:** 320, and this, right, and the CAPEX would have been.
- Anil Jain:** Capex as I said, the overall CAPEX for India was 207 crores which includes some last year's service on the solar power project, so that is included in that 207, and the consol CAPEX was around close to 300 crores for last year.
- Abhijit Akella:** And for next year we anticipate a flat kind of consol CAPEX also. Just like the standalone flat.
- Anil Jain:** Next year, actually somewhat lower in fact. Next year, we expect if this was 300 crores, this year the CAPEX should be may be 250 or add.
- Abhijit Akella:** And just a couple of quick data point questions on the P&L. Sir. There was a big jump in the administrative expenses this quarter, higher than normal. So what was the reason for that?
- Anil Jain:** Actually if you see the detailed balance sheet there has been certain provisions for the doubtful dates, and certain write offs for the claims, so that is about 27 crores in that figure. If you remove that then the administrative expenses was in line.
- Anil Jain:** Typically it comes below the line, you know, as part of the provisions and write offs, but within the SEBI format it comes up, that is the only place it can be.
- Abhijit Akella:** And this is related to MIS business.
- Anil Jain:** Yes, the company has a policy to provide for _____ 52.14 which are little slow in recoveries or certain government claims particularly the export related claims, they make it lapse because of the late realization of the export proceeds, and so on, so these were during the audit process, auditor normally takes a call on realization, in bank or delay, that was the prudent provision we made, some of these provisions we have seen in the past especially related to receivables. They do come back, the ones you get the money, you reverse those as well. But as a matter of policy we are making certain amount of provision every year, which is typically covered under provisions and amortizations, but here it is in the administrative side.

- Abhijit Akella:** Also similarly on the other operating income, the figure seems much higher, 57 crores this quarter, so any unusual items in there also.
- Anil Jain:** There are a few, again we were trying to get some more incentives from the Government of Maharashtra, so actually that all came through this quarter, so that was about some 17 to 18 crores, the rest we have this VAT refund under mega projects and certain export incentives, but that 17 was kind of, which we were following with the government and finally that came through.
- Abhijit Akella:** And the increase in the non current investment on the balance sheet to 700 crores, is that because of the increased stake in Nandan. Is that the reason for that?
- Anil Jain:** Yes, we have invested in our fellow subsidiaries and I was replying to one of the questions, see that increase up to 70 crores was partly being used by the subsidiaries to repay the loan of the parent, so that was about 70 crores, used for that purpose. 170 crores, we actually reduced the liability in our overseas subsidiary, either the long term or a short term liability. So on a consol basis, actually this investment has gone into reduction of debt or small part into working capital of this overseas subsidiary.
- Abhijit Akella:** We see a creation of an income from associates line this quarter.
- Anil Jain:** That is the NBFC.
- Abhijit Akella:** Okay, understood, 6 crores.
- Anil Jain:** It is not 6 crores, it is 60 lakhs.
- Abhijit Akella:** 60 lakhs, sorry, yes.
- Moderator:** The next question is from the line of Girish Achhipalia from Morgan Stanley. Please go ahead.
- Girish Achhipaliya:** Sir, in your recent review with the media channel, you mentioned that you are expected to grow to 20 to 30% on MIS. You had also at the same time said that receivables actually are going to be flat, or in fact down, just wanted to understand which states are you confident on, bringing that 700 to 1000 crores extra receivables from.
- Anil Jain:** What I said to media was that overall as a company, we will grow the business by 700 to 1000 crores, and as we grow the overall business we will definitely bring down the receivables. That is one statement that I made. I also made a statement that my _____ 55.38 business will grow north of 20, and even if things come out, I think we will grow about 25. Now coming back to, how do we grow the business and still bring down the receivables, I think that is the question. As I said, and as I answered one of the earlier questions, growth is happening partly in export where we are looking to double and where these are you know, like site letter of credit, so you ship it and you get paid, so no receivables you are crediting from that growth. The second part of growth is happening into project business, where again some of the projects

like the one in Karnataka, we have got 77% is the supply, so you supply the goods, you kind of get paid, and then you do the milestone work later on, so again you don't create too many receivables. The third, out of legacies scenario, from the various states where we have old receivables coming, we expect all the remaining money from the Maharashtra Government to fully come through, which is almost close to 150 crores or so in that sense. A few other states like Andhra, Karnataka, Tamil Nadu, and Gujarat, we will be collecting some of the -year-old receivables, not Gujarat, where we are quite current, but other states, so together in these places, like in Maharashtra, as we said, this current year we will not have any government receivables left, once we recovering this remaining, so that is a definite reduction into the receivables, because that is not going to be there for the coming year. Coming year either we would be collecting cash from our farmers via dealers, we might give a certain amount of credit to the dealers, and/or they will get funded by NBFC and we will get paid. So, that reduction of 150 crores in Maharashtra is actual reduction in overall level of receivables which we have in the MIS business, some reduction will come from Tamil Nadu and Andhra specifically maybe 50 crores each will go down. In Andhra we continue to do the business, so the remaining will kind of get renewed, but some of these old legacy receivables will come. So our effort is that by 300 crores, we should reduce the receivables, that much of new business, either we will not do or we have changed the business model. That is where we are hoping that reduction will come. The rest of the business we will do into the new state. We are putting kind of our internal guideline to that one, we would do business only as long as we don't go beyond 6 months overall receivable levels in those states and we hope that we try and capture business a little bit earlier than have the business just in February and March because that all ends upon our balance sheet at the end of March. So that is our planning, as you know, how things go. Some of these happen and some of these things and some of these things may not happen, but when you combine all of these, that part of growth is coming from exports and projects where you will not increase receivables, part of old receivables you will collect, you don't have to renew because you are changing your business model and Government of India has also increased the allocation to the states as you are aware out of the budget which is helping us to clear some of the older receivables in various states. So it is a combination of all that, and we have decided that in March 2012, as you know our overall receivables were 1700 to 1800 crores from micro irrigation. Now they are closer to about 1300 crores with the exports put together along with the domestic. So we want to now venture down towards closer to 1000 crores, 1100 crores, in that range, even if we increase business back to 1800 or 1990 crores, so that is what we are trying to achieve in the current year and we believe once we achieve that, then we will have very solid foundation to have a high growth rate in a sustained manner going forward.

Nilay:

Just one question, from my end, so all these numbers, basically mean that your incremental MIS growth will come at less than 150 days of gross receivables, would that be correct. That would be your endeavor.

Anil Jain:

Yes, that is what we are planning.

Nilay:

Okay, and second question is, given all this stuff around sugarcane and the government directive in Maharashtra, etc., what is the run rate that you are clocking for this quarter. If you cannot give me the full, the overall company level run rate, what is the run rate you are clocking in Maharashtra at least?

Anil Jain:

You know, this whole sugarcane thing as I have explained, I expect it to really kick in from the season it starts, that is post-October 1. This is not the sugarcane season, April-May. This is typically a cotton season, but areas where cotton is grown, that is Khandesh or Marathwada, or Vidarbha, in a lot of these places there is no water whatsoever. So, I would say that you will see growth rate coming from sugarcane in the latter part of the year. We are doing our general business in Maharashtra already and overall it is not that if we grow in micro irrigation business, 20%, then all of that growth will come towards end of the year. We have already started growing the overall business in total and Maharashtra for example, last year at this point of time, we had not done much at all, so we are growing two times than what we grew last year at the same time because last year first year first quarter was really not good. So, we are already doing well and we hope that we will surprise ourselves with third and fourth quarter really comes through very well, but already from the first quarter I believe we are clocking growth, last quarter January to March was again (-20%), but this quarter April to June, I will be surprised if we don't do 15 to 20% growth, so we are already moving from (-20) to plus whatever, that double digit growth and for the whole year then that is how we are hoping that we will go beyond 20, once we have some of these other things happens.

Nilay:

Sir, the last question is for Manoj if he is there on the call. Is there any reduction in your domestic interest rate at this point in time.

Manoj Lodha:

Percentage no. For the fourth quarter we remain to be at 11.26% overall as a weighted cost.

Nilay:

Okay, and do you foresee anything happening over the next six months or so.

Manoj Lodha:

Yes, because two things, one is that based per this audited balance sheet we will be approaching the rated agency, hopefully we will be in the investment grade, so we change the composition of our short term loan. Right now we are borrowing from the working capital bankers, we are seeing somewhere around 13 to 14%. So there we can make some attempt and reduce some cost, may be 1% or more than 1%. Plus I think overall in the regime, RBI reduced the interest rate, that would be on the top of that, but yes, I think this first half we would be trying to reduce our absolute percentage interest cost on this basis.

Moderator:

The next question is from the line of Trilok Agarwal from Birla Insurance. Please go ahead

Trilok Agarwal:

Yes Sir, if you could give us which state grew in this quarter and in which did not, that will be helpful, and second I guess a lot of time is kind of wasted for asking bookkeeping questions, it is just a request, if you could circulate the presentation well in advance so that we can be prepared for the call.

- Anil Jain:** I think we will take your suggestion and consideration and see what we can do from the next quarter. In terms of the states where we grew or not grew in the fourth quarter, as the overall business was minus 20% in micro irrigation, if you look at the major states Maharashtra still degrew, but by 13%, in earlier quarters we were de-growing by 35%. AP and Tamil Nadu were still significantly lower growth rates of 40 or 50%, Karnataka was positive, Gujarat was positive. Most of the other states were negative in the quarter.
- Trilok Agarwal:** As we have already adopted a new model in Maharashtra so the guidance that you are giving of 15 to 20% growth in MIS business is on the basis of the new sales happening as per new model, is that correct to assume.
- Anil Jain:** Absolutely.
- Moderator:** The next question is from the line of Chetan Wadia from JHP Securities. Please go ahead
- Chetan Wadia:** Sure, how much business you are expecting through the NBFC in FY14 and '15.
- Anil Jain:** FY14 I would say, depending on how the situation is post monsoon, between 150 to 240 crores and then the business will start growing based along with the growth rate our business in micro irrigation thereafter.
- Chetan Wadia:** Okay, in the initial remarks you said the capacity utilization the MIS business is on the lower side right now, what is the percentage utilization at this point in time and with all the optimism that you have shared for FY14 what will that be by the end of FY14 according to you.
- Anil Jain:** I think we have enough capacity and those have to be seasonally adjusted and seasons keep changing depending on the rain and when the farmers plant the goods, etc., but our average capacity utilization was hardly closer to 50% in the year, which we passed, but if you adjust it seasonally maybe it was closer to 60. With the current year growth and maybe next year growth we have enough capacity to manage two years of growth. There, however, only certain amount of CAPEX what we are making is more about the balancing equipment or new types of products which are required to cover certain crops like maybe rice or wheat, etc. But our current what we call tubing capacity or extrusion capacity, what we have built over earlier three years is good for the current year and the next year.
- Chetan Wadia:** Okay I will take that, and my last question is on the solar business, you shared optimism that the people are accepting that all that, how much of confirmed business do you have in hand and how much do you think you will be able to generate by end of FY14.
- Anil Jain:** The solar business, it is different segments, to be honest, difficult to answer your question. We have a part of the business is related to solar water heaters, and that is one of the major business segment we have, and that business, the orders come usually during the winter time or so on through our dealers, so they don't send advance orders right now. We do get business from various state governments to supply lanterns or street lights and other things and that business typically happens again in the second half. Then the third part of business is the solar

pump. So the way we have been growing on an average this business is hardly about 15 to 20 crores four or five years ago. Now this year we expect that to cross 250 crores. So we feel fairly confident in terms of visibility, in terms of proposals at various levels, but the orders in hand, might be just 25 to 50 crores now at different levels, but if you ask me this question sometime in September or October, we can definitely tell you that we have far more in hand to get executed by March.

Moderator: The next question is from the line of Atul Rastogi from CIMB. Please go ahead.

Atul Rastogi: My query was more on the project side, you said, if I got it correctly, that your revenues are 130 crores and receivables are 200 crores in projects, is that correct.

Anil Jain: This particular year, last year the revenue was on the projects, about 130 crores, but the year before was much larger and some of these projects, in the initial period, they took time to get completed. That is why with the changes which we are making now into the execution model of the project, while in the current year, we collect all the old receivables after completing the project, especially the projects which we had in Rajasthan, where we were covering 150,000 acres of area into the whole, what you call desert, where as you go on building the project, but you get the sandstorm, etc., and then you have to start again, that kind of thing delayed the things in Rajasthan quite a lot, almost more than a year or so. Good part of that project was open canal and then the pipes supplied to the farmers. The new projects which we are looking at in Karnataka and other places, where these are all the pipe projects, there is no open canal or other things, so they are far more efficient to complete in a short period of time and also because you are doing pipe lines, you don't have wait for any land acquisition delays, which typically happens into open projects. So we expect that going forward, the situation will not arise and as we have addressed the business model of the retail sales via dealers and government subsidy, in a very short period of time we are addressing the business models on the projects now.

Atul Rastogi: So you would expect receivables to come down, to collect a lot of receivables.

Anil Jain: Yes, all of them will be collected in the current year.

Atul Rastogi: Typically, they will be billed projects, so the margins would be similar to your retail business or they would be lower.

Anil Jain: Different projects have different levels of margins, but I would put a broad range, the margins would be 20 to 30. It depends on component, it depends on the local topography, in that sense.

Atul Rastogi: Finally, this year, could you give how much on the sales was through the new business model, is it possible to give that.

Anil Jain: The new business model, we have kind of have put into Maharashtra, and Maharashtra did about 550 crores sales, and in some other states, like Gujarat was already efficient, Gujarat our sales was about 150 crores.

- Atul Rastogi:** So 700 crores would come through the new model.
- Anil Jain:** Yes.
- Moderator:** The next question is from the line of Anant Jain from Silverdale Capital. Please go ahead
- Anant Jain:** I would like to understand what percentage of your MIS sales comes from cotton farmers and sugarcane farmers.
- Anil Jain:** If you overall look at categories, we have five categories of businesses. Orchids or fruit crops is one, which is a large category, that would banana, mango, stuff like that. Of course we have sugarcane, cotton, vegetables, and then things like wheat, rice, oilseeds and so on. Right now that whole wheat oilseeds, etc., is just maybe 5%, approximately and out of the remaining 95% I would say typically cotton would be about 15 to 20%, sugarcane would be 25 to 30%, fruit crops about 35% and 15% would be vegetables. And just to clarify, we don't keep data on that basis, because this keeps changing and it is too retail, but this is the general direction of the business mix.
- Anant Jain:** Regarding the subsidiaries, for FY13 it seems that your revenue has almost doubled from previous year from FY12, so can you tell us like what has happened there.
- Anil Jain:** Our overseas subsidiaries, the business has kind of grown about 12% approximately, if you really look at it, they have different currencies in total. So, if you look at our operating subsidiaries, they have grown from about last year 1490 crores to about 1637 crores and our marketing subsidiaries grew from 347 to 388 and then we have some elimination of inter-company sales. So India degrew from 3800 to 3500, these companies grew based on what I told you, so before elimination our overall sales were about 5580 and then you have inter-company revenue, you remove which is kind of 10% approximately so that gives you that our overall sales are about 5000 crores.
- Anant Jain:** Yes, so if I look at the overall consolidated sales, it is somewhere at 5000 crores, and standalone is 3500, so the difference is somewhere around 1500 crores and similarly the same way last year it was 786 crores.
- Anil Jain:** Last year our overall India sales was 3800, and consol net sales was 4940, so outside India entity were about 1100 last year.
- Anant Jain:** The EBITDA margin, like from what I see, that is has turned positive from negative.
- Anil Jain:** That EBITDA margin is positive based on the actual better performance of the subsidiaries, what I was talking about, translation was, if you see the net profit difference between the standalone and consol is less that is due to the translation losses.
- Moderator:** The next question is from the line of Amit Murarka from Deutsche Bank. Please go ahead

- Amit Murarka:** Just questions on MIS again, what were your gross margins in FY13 and can you also provide the volumes that you did.
- Anil Jain:** In MIS business it is very difficult to talk of volumes because it has thousands of components and we do track and capture the EBITDA margins which I already spoke about,
- Amit Murarka:** Earlier, actually you used to distribute the number of volume in metric tonnes and contribution, both.
- Anil Jain:** The volume in metric tonnes, one and try and give, so let us say, it is about 24,000 odd tonnes in MIS as against last year 32. So growth was about (-25%) which is almost equal to the value growth (-25%).
- Amit Murarka:** So there is no change in realization terms.
- Anil Jain:** Right, yes. We did not increase the prices, so realization was stagnant.
- Amit Murarka:** Okay, and regarding the cash discount, is it not already being provided in states where you are on cash & carry model that is Gujarat and Maharashtra.
- Anil Jain:** No, in Maharashtra, this is the first year, we are starting on cash & carry model now. But even there, partly we still give credit to the dealers. We don't have cash & carry model, other places. Like Gujarat is more efficient model. You kind of get paid in 120 days or so.
- Moderator:** The next question is from the line of Viraj Kacharia from Securities Investment Management. Please go ahead.
- Viraj Kacharia:** I just have 2 questions, one is when do you expect the replacement dynamics to kick in and secondly is there any timeline for extending the current model, you have for Maharashtra to other states like Karnataka, Himachal Pradesh, or similar states.
- Anil Jain:** I think in the current year we are still focused on building Maharashtra and Gujarat and they will continue to grow. From the next year we will start looking at changing the model into some other mature states like MP, Karnataka. In places like MP we had already introduced a different type of cash & carry model where we have introduced a product line which stay only for two or three years. So farmers will have to replace it faster but it is at a lower value, because it has either thinner tubing and other things, so that farmers will have to pay full cash for that product, there is no subsidy available but our overall business goes down per acre basis but you get full cash. So farmers who don't have access to subsidy or if the government has exhausted its budget those type of farmers are preferring that kind of business model, which is 100% cash by farmer, even no investment by dealer, but then the value per acre is lower and that business we have done, small amount in Maharashtra, and small amount in MP as well.

- Amit Murarka:** Okay and for the replacement demand because usually a product cycle is around 5 to 7 years, after that you see some replacements coming in, so when you start seeing the replacement demand.
- Anil Jain:** I think in the mature states like Maharashtra, about 10 to 15% demand is already replacement demand. In majority of other states, our business is really picked up after only 2006-07, so the time is coming now.
- Amit Murarka:** Okay, this last question, this is a bookkeeping question, on the inventory side, on a standalone basis, the inventory almost doubled. What is the reason for that? Usually you have January to March, quite a strong quarter?
- Anil Jain:** The inventory did not double, from last year I think it was close to 766 and now it is 1000 odd, so it has gone up about 300 odd crores so it is not kind of double first of all, second, we had certain increase in inventory because we were expecting a good quarter in April to June which is happening, we are having good growth in current quarter, and some of our exports to Middle East, for the fruit pulp were postponed to the current quarter from the earlier quarter, because there were some currency issues in certain countries where in terms of availability of currencies with our customers so that you will see kind of gone by September or so.
- Amit Murarka:** You do not have any plans to scale up the new product line which you implemented in MP and Maharashtra to other states or is it just going to be a small focus of the overall micro irrigation.
- Anil Jain:** No, I think, you know, next year this new product line will get launched all over the place, because that particular product also required certain maturity on the part of customers for them to be able to use it because this is a highly refined product, it is at lower cost, and farmers have to be careful to use it properly. Then they can use it for entire two to three seasons.
- Moderator:** The next question is from Ratna Rajmohan, individual investor. Please go ahead
- Ratna Rajmohan:** Can you throw some light on the mango price this season? It has been less if I am not wrong this season. Will it help in improving your margin in food processing business?
- Anil Jain:** We buy two types of mangoes, one is Totapuri mango and one is Alfonzo mango. Right now season is coming to an end for the Alfonzo variety, the Totapuri has just started and it will go through June, July and maybe part of August. Alfonzo mango, the last two to three years, were closer to this Rs. 25 to Rs. 26 band, this year they have been closer to Rs. 30 to 32 band, so in fact they are up by 20%, the processing variety I am talking about. That was due to less availability of mango Alfonzo especially in Konkan area, and Southern India. We continue to get good crop from Valsad in Gujarat. The Totapuri mangoes have been over the last two to three years again, in the range of about 6 to 8, the market in Totapuri has just now started, right now it is 8 to 10, it is very difficult to predict whether it stays closer or as more supply comes on, it will go down.

- Ratna Rajmohan:** Okay, the next question is like election impact, state election and central election, will it have a positive impact like in the form of more funds getting allocated for agricultural projects or will it impact negatively by staling projects due to some regulations.
- Anil Jain:** On some of these election issues, your guess is as good as mine, but we believe that the farmers need to buy these things, water shortage is acute. So we believe regardless of elections more funds should come through and that is the kind of action and traction that we are seeing at the state level as of now.
- Ratna Rajmohan:** Okay, just one more question, do you have any plans of CAPEX on MIS in anticipation of the Maharashtra sugarcane MIS project getting implemented in the recent future.
- Anil Jain:** As I explained earlier, we have good enough capacity for next two years of growth and thereafter if we need any urgent CAPEX, if any large orders come through, the turnover time is about 6 months, we can order equipment and add on to the capacity.
- Moderator:** Thank you. As there are no further questions, I would now like to hand over the floor back to Mr. Harit Kapoor for closing comments.
- Harit Kapoor:** Thank you, on behalf IDFC Securities, we would like to thank all the participants as well as the management of Jain Irrigation. Anilji, would you have some closing remarks.
- Anil Jain:** No, I think we have covered quite well, various different aspects of business. We are looking forward to FY14 with lot of positiveness and confidence, and we believe different business segments will grow because of inherent need for our products and the fact that some of the work which we have been doing like the change of the business model or getting more policy traction at the government level, is now coming to the fore, and some of the work on this has gone back to last few years and the fruits one will see now, as we are in the agriculture business and it takes some patience before you see fruits from the seeds you sow, and we will continue to remain very focused, while we manage growth and improve growth in terms of P&L, we are going to remain focused on balance sheet and balance sheet will be definitely improved along with the free cash flow. Thank you to all for participating and I wish everybody a good year ahead.
- Moderator:** Thank you. On behalf of IDFC Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.