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Sub: Transcript – Q1 of FY2025 Earnings Conference Call.

Dear Sir/Madam,

Please find attached herewith transcript of **Q1 FY 2025** Earnings Conference Call held on 31st July, 2024 at 3.30 PM IST.

Please take the above on record and acknowledge.

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

AVDHUT VASANT GHODGAONKAR
Digitally signed by AVDHUT VASANT GHODGAONKAR
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A. V. Ghodgaonkar
Company Secretary

"Jain Irrigation Systems Limited

Q1 FY '25 Earnings Conference Call"

July 31, 2024

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

MODERATOR: **MR. ASHWINI TRIVEDI – DRCHOKSEY FINSERV PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Jain Irrigation Systems Limited Q1 FY '25 Earnings Conference Call hosted by DRChoksey FinServ. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during the conference call, please signal an operator by pressing star then zero on your touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ashwini Trivedi. Thank you and over to you, ma'am.

Ashwini Trivedi: Thank you. Good afternoon, everyone and welcome to Jain Irrigation Systems earnings call to discuss the Q1 FY '25 results. Today, we have on call Mr. Anil Jain, CEO and Managing Director; Mr. Bipeen Valame, Chief Financial Officer. We must remind you that the discussion on today's call may include certain forward-looking statements that may involve known and unknown risks, uncertainties and other factors and thus therefore be viewed in conjunction with the risk that the company faces. Future results, performance or achievements may differ significantly from what is expressed and implied by such forward-looking statements.

Please note the results and presentations are available on the exchange and on our company's website. I now request Mr. Anil Jain to take us through the company's business outlook and financial highlights, subsequent to which, we will open the floor for Q&A. Thank you and over to you, sir.

Anil Jain: Thank you. And I would like to welcome everybody on our Earnings Call today. We have -- we had a Board meeting today morning and we have declared the results. Overall performance, I think is profitable, overall as a company. However, our revenues are lower compared to last year and at about close to 13%. Our company achieved revenue of about INR1,480 crores with an EBITDA of approximately INR180 crores against [inaudible 0:02:20]. When we look at breakup of this revenue, so out of INR1,480 crores approximately, about INR445 crores has come from our Hi-Tech business and about INR566 crores came from Plastic business and about INR465 crores is from Agro Processing.

So fairly in 3 different buckets in terms of overall revenue is coming from. And when I look at EBITDA of INR180 crores, about INR68 crores has come from Hi-Tech, about another INR66 crores from Plastics and about INR48 crores from Agro Processing. So again, Agro Processing usually has a little bit lower level of EBITDA considering the nature of the business. And so when I look at actual margins in Hi-Tech, it has been at about 15.6%, Plastics at about 11.7% and Agro Processing at about 10.3%.

That is what we could achieve. And net PAT has been about INR12 crores, and while cash PAT tax is about INR73 crores. So that's on the consol level. So while our business in India did get impacted, especially related to JJM and others issues in India in this particular quarter, which kind of we had anticipated. And some of the business which has gone down is linked to the projects which is progressive way as we close the project that's going to happen. But our food business has done -- it's still positive territory in terms of revenue growth.

Our Overseas Plastic Sheet business has done well. It's also positive in terms of revenue growth. When I talk about the stand-alone business, again, Hi-Tech and Plastics is the 2 major divisions there, and the reduction has been more actually into the Plastic business there by almost 30%, while Hi-Tech got reduced by 17%, registering approximately 25% reduction in that context. And consequently with the lower utilization of capacities, there was lesser fixed cost absorption, resulting into a lower EBITDA into the business, which was there. But business even on stand-alone India basis has remains profitable.

Overall, there was no big change in the balance sheet, I would say, compared to March. Two important factors on the balance sheet. We could reduce our overall receivables almost by about INR150 crores during this quarter compared to the March. So which is a good thing as we are recovering these receivables, but inventory did go up during this period because one, in the food processing business, this is seasonal. We process a lot more onions and mangoes, so inventory does go up.

But even in our normal pipe and MIS business, partly inventory has gone up because of a weak quarter, but I think that should get through the system during current quarter. When I look at overall working capital cycle, as I already explained, inventory has gone up in the short term, but should not be there beyond September, and the receivables did come down, which is a good and positive sign. In terms of -- when I look at overall debt of the company, at stand-alone basis, almost at the same level what it was in March, what it is now.

During this period, we have repaid some of the long-term loans as they fall due on the due date, while there is some addition on the working capital side, cash credit side. So all in all, reported debt remains almost same as March. If we look at consolidated numbers, they are slightly lower compared to the March numbers because there has been also repayment of the long-term debt on the overseas side, but no big change in the debt numbers. They've slightly improved, I would say, compared to March. But considering the fact that this was really a weak quarter in terms of underlying trading, this is a good outcome that actually, there is a small amount of marginal improvement on the debt.

In terms of overall, when we look at capital in terms of working capital and fixed capital, the addition, including all the maintenance capex we do has been about INR45 crores globally in this quarter as against depreciation of INR60 crores. So this is in line of our usual trend. So there is no big change there. At the India level, our order book position is about INR1,000 crores and at consol level, total orders at about INR1,800 crores. Out of this INR1,800 crores, most of the large orders, which we have in hand, about INR1,000 crores are actually in the Food business because that is governed partly by contract. But we still have some orders in Hi-Tech Agri business as well as the Plastic Product business to the tune of about INR800 crores. So again, there is no big subside in those numbers.

Now when I talk about what happened during this quarter, it's important to see also mentioned that when I look at cash flow, so during this quarter, company generated about INR128 crores of net cash from operating activities after working capital change, which same period last year was INR152 crores. So slightly lower than the last year, by tune of about INR24 crores. But overall, quite good generation of cash from the operating activities. And stand-alone basis as well, despite the lower profitability and lower sales, net cash generated from operating activities post working capital changes and post income tax was INR56 crores. So both places, good generation at operating level from the business side.

In terms of overall narrative, I think, generally speaking, it has been quite good to see monsoon. Monsoon has been quite positive, which in short term negatively impacts the business because you can't sell many pipes or irrigation systems when the fields are wet or farmers crop is standing. But this offers quite well for the second half, H2, and even the next year because water tables are going up everywhere. Whole country is having really good monsoon. And in fact, half of the country is having even more than long-term average.

So our headquarters, which is in Jalgaon in Maharashtra, by now has about 30%, 35% more rains than long-term average. And that is the situation of a good part of the country where normal to higher than normal is the norm right now as we speak. And if this continues, I think this really augurs very well for at least full next -- not only this season, but next 2 seasons in terms of agriculture.

Another event during this quarter has been the budget which we recently saw. And as expected, the government has kept its focus on overall agriculture, which was one of the ministry which got a maximum amount of funds. Within those funds, there has been adequate, I would say, allocation for drip and sprinkler system, which gets captured under Rashtriya Krishi Vikas Yojana. And we have been told that government is very focused in pushing the necessary benefit.

The other part of our business, which gets impacted due to the budget is also piping, which is partly the orders related to Jal Jeevan Mission. And there, also, government has provided almost close to INR69,000 crores or so towards JJM under the Jal Shakti Ministry. And third, I think this is an important part that government has announced a bigger support to MSMEs. And while we, as a company, are not MSMEs, but most of our dealers who are our customers who sell onwards to the farmers are MSMEs.

And if they get additional benefit either the guarantee from the government or loan from the government and so on, I think their ability to invest into our product increases. They carry more inventory, et cetera. So generally speaking, that would also help us to strengthen our network and get -- do more business from the dealer network, and that's what really -- as you know, we have been speaking about this for the last 1 to 2 years. That is where we, as a company, really want to focus on.

Having said this, when I really look at the things which we, as a management, are focused on: one, medium to long term has been that we should continue to go towards deleveraging. On a comparative basis where the business will continue to grow, profits will continue to grow, and debt goes down. So net debt-to-EBITDA, we are able to bring under control. And in terms of another part of that growth of business versus net debt-to-EBITDA is also that we continue to improve our -- especially the receivable cycle.

And there, we have seen or matched over the last 2 to 3 years. On the retail business, we have done better and we continue to improve. And -- but it has taken us some more time than expected on the government receivables. And -- but we expect now that we're really coming into the last final lap of closing various projects, after which we expect those funds to be released. And so a significant amount is still expected to be released before current fiscal year and whatever is remainder should get done in FY '26. So that is in line with what we have projected before that -- almost close to about INR800-odd crores should get released in the current year and the next year, put together against the projects.

Beyond this, in terms of individual, I think, businesses, we were going slow not only on the government projects, but there are a few states where government places orders on us versus them -- on behalf of the farmers. And there, the payment comes from the government, even though we don't invoice the government. And there, we were going slow because of all the elections, et cetera. And one of the states where there have been a lot of delays in Andhra Pradesh, but I'm just happy to share that post now change of the government and the new dynamics, just this week, we have started receiving the payments from the early on old legacy tenants.

So that's a good part that has started happening now. And we hope as things stabilizes around the country now, rest of the situation in other states will also improve. With just one more caveat for our company, Maharashtra is one of the most important states in terms of our overall business. And there are state level elections expected sometimes in September for the state of Maharashtra legislative assembly and there could be some disruption around that time.

And -- but they are after, I think, post-October, because season remains weak till then in any case and really it picks up only beyond mid-October. So we are expecting from mid-October onwards to May to be very positive season with the whole election disruptions behind us as well as the monsoon, assuming it continues its good run also being there. And the fact with the positive things government is doing in the budget to provide additional support to either MSMEs or to the farmers, in general, that would be supportive to overall business, which we are doing.

While that is primarily focused on pipe and drip which goes to the farmer, our overall Food Processing business should -- it grew about, I think, 6% or 7% now. But the idea for the whole year is that it should grow double digit. We just finished mango processing season and so on. That is going in line with our expectation. And Overseas Plastic Sheet business has clearly delivered good revenue growth and good earnings as well. So that is a normal course that should move quite well.

So this is where we are as a company. Structurally, I think in good place going forward. In terms of operating numbers, while this quarter has been weak. We had a little bit of hindering on that, and we -- I have spoken about that in the last conference call. But I think, when we talk of September results, I think we should come sometime in October. I think we will be able to give a better guidance to investor community as well as stakeholder in terms of how do we expect that whatever shortfall we had in the current quarter, how that can be and how much of that can be captured in a very strong H2. And that, I think it would be more appropriate to talk about that at that point of time. This is what I think I would like to start, and I will be very happy, me and my CFO is here, and we will be happy to answer any or all questions you may have. Thank you.

Moderator: Thank you very much. The first question is from the line of Kunal from Sunidhi Securities.

Kunal: One of my question is that there is a mention of the sale of shares of the -- from the Jain Farm Fresh Food Limited to Mandala Capital for the total transactional value of INR9.9 crores. Can you throw some light on that? [inaudible 0:19:07]

Moderator: Ladies and gentlemen, the management line has been connected. Kunal, can you please join with your question.

Kunal: I had two questions. One, on the sale of shares of Jain Farm Press Limited to Mandala Capital of total transnational value of INR9.9 crores. Can you just throw some light on that?

Anil Jain: I think as a part of overall holding and discussions with Mandala -- this is less than 1%. I think 0.86% of the food company shares, which were sold to Mandala with a profit of approximately INR5 crores in that. So it was a small transaction because Mandala has been a long-term shareholder into the Farm Fresh Company. And going forward right now that the investment has been here for about 5 to 6 years, we are now, I think, sometimes in maybe this year, next fiscal year, we will look at some opportunity of what they need to decide about in the future. So as a part of that overall discussion, there was one particular understanding which a small quantity of the shares were sold to them.

Kunal: Okay, sir. And the next question is that the exports went up about 93% in the Hi-Tech Agri segment to -- is it too Rivulis, as it is mentioned in the presentation? So can you give a breakup of how much of like -- in the standalone level, how much retail project and export is percentage breakup at that low level?

Anil Jain: You mean sales?

Kunal: Yes, sales breakup, yes.

Anil Jain: So when I look at the sales analysis at the India level, overall, if I look at about INR850 crores, right, is what we sold. So retail was about INR566 crores, and about what we call micro irrigation projects where the government use orders on behalf of farmers and that was about INR70 crores. Project was INR44 crores. Institutional sales are about INR75 crores, and exports are INR86 crores. So that's the INR850 crores. So for the larger narrative, right, the retail, MIP, institution, can be treated as one. Government projects is another and the export is other.

Moderator: The next question is from the line of Tej Patel from Niveshaay Investment.

Tej Patel: So sir, I had a couple of questions. First is, sir, I mean, although there's a huge potential for micro irrigation in India, but there is not much happening on ground. So if you see the whole industry in the last 2, 3 years, they almost have a very insignificant growth, right, almost probably they have added 1 million square -- 1 million of hectares of land every year, probably, let's say, 5% to 6% growth in the last 2, 3 years.

And not only you, I mean, other players are also facing difficulties of, let's say, lower penetration of micro irrigation in India due to slow release of subsidies to you and the farmers as well. And so what are the major constants apart from what I mentioned, which is creating the hurdle for the industry, and what changes you think might improve this? And how do you see the industry growing in the next 2, 3 years compared to last 2 to 3 years?

The penetration have always been low and the micro irrigation have always been the focus area for government, but there is no growth in the industry in last 3 to 4 years. And there are issues like regarding the receivables, as you mentioned in your every con call. So when do you see this improving? And when do you see that green shoot coming in when you see double-digit growth in the micro irrigation sector for the India business?

Anil Jain: I think that's a very interesting and a good question. For -- when I look at overall, just 1 second -- and as you rightly pointed out, the delay in release of the subsidies by the government, even to farmers right under DBT has been partly the reason, and part was -- part of it has been procedural, in fact, for last 1 year, where micro irrigation is combined with under scheme called RKVY, Rashtriya Krishi Vikas Yojana. And there are 3, 4 other schemes. And state atg utilization certificate before they can draw new funds from the central government.

And because the other schemes, which aren't linked to the micro irrigation, which were not completed, and that is the reason they could not draw the money even linked to the micro irrigation. So this is a bit bureaucratic, big administrative issue. But I think the state by now have talked to the central government and so on. And we have been told some kind of a solution is the imminent, going to come from the government of India to the state. It has nothing to do with companies or the farmers.

This is directly just between center and state, internal administrative issue. So I hope that would not be issue this year. And so a lot of funds will get released. In fact, last year, out of the funds, which center had provided, almost INR1,000 crores could not be released to the state due to some of the administrative issues. And this year, it is expected that will not be the issue. So as that money flows all the way to the state, all the way it goes to the farmer, the dealer funds get released, overall mechanism improves.

In -- if I then look at overall -- when I total running business for drip irrigation for us, '23, it was about INR1,357 crores and -- including exports, which we do. And then it became INR1,478 crores in FY '24. So we managed some amount of growth during that period of time. And we hope as we are hoping for a solid H2, we should maintain that growth as well because we also expect higher exports. But -- so one was this administrative part, right?

There is an adequate amount of cash being allocated, even in the current budget by the central government. But state's ability to use it. In some states, we are unable to utilize right? For example, I talked a little bit Andhra Pradesh. Even Gujarat, which is normally quite efficient, got delayed last year. And now AP and Gujarat, both we are seeing -- they have started moving positively as we speak. So I hope this year, a lot of things will improve.

We are -- as an irrigation association or industry are actually requesting government to create some kind of a central level of portal where all farmers can register and that can be monitored, right, in an efficient way, and the government can then disburse also in an effective way if that can be done. So some of these additional changes actually can bring about structural change and where the industry can really achieve the true potential because penetration levels are still quite low. And this is one scheme where the farmers do get measurable tangible benefits through higher productivity and lower costs. So we are quite optimistic with the new government in the focus now as such. And also at the state level with the changes -- administrative changes, things should be better from the coming business season.

Tej Patel: Got it. Got it. Sir, just a follow-up question on this. Correct me if I'm wrong. So you are saying there's an administrative problem for the coming of central funds through state and then to the farmers. But if I'm not wrong, that's probably say 50%, 60% shares comes through central, and then the rest 40% comes to state, right? So what of the states releasing their funds?

Anil Jain: The structure operates that Central releases x, right? State adds Y and then it is given to the farmer. State cannot merely give its own share, then they cannot draw from the center and so on. So I think this will go together. And as I said, we can talk a little bit more by end of October, but we really hope that they will solve that administrative issue by them, and more funds will flow. And we have seen in two states, which is -- there were a lot of delays last year are actually moving positive.

Tej Patel: Very good. And sir, any new states coming up with are having higher allocation this year because if you see the mostly the allocation that goes to the Southern states and the Western states such as Gujarat. But do you -- you do see new states coming and taking initiative for micro irrigation to just, let's say, MP or UP. So what about those states where there's, of course, adequate rainfall so that probably they don't need micro irrigation, but there's still some movement towards micro irrigation. Do you see something like that?

Anil Jain: Among the larger Northern states, we have always been doing good work in Rajastan, Haryana. But I think UP is one state which has now taken a much larger program, and they have created a structure in line with the Gujarat state structure. And we think while it is early days now, but they are taking up ambitious program. So I think over the next couple of years, UP could develop to be one of the large states.

Tej Patel: Sir just a clarification on the revenue recording, if I'm not wrong, the retail business includes revenue from both the subsidized business and the nonsubsidized business, right?

Anil Jain: Yes. Yes.

Tej Patel: Can you tell me this...

Anil Jain: Yes, we are concerned. We don't -- I mean we are selling most of the time to the dealers, right? So -- and subsidies are mostly given to the farmers. So for us, it's one business when we sell the drip irrigation. So you can say project business and non-project business.

Tej Patel: Okay. Because why I was asking because you always pointed towards shifting from the subsidy business to the, let's say, the nonsubsidized business. So for that reason I was asking, so how the trend has been? And why would a farmer probably buy a -- through a nonsubsidized route, if you know if there were availability of a subsidy. So I just wanted to know on the farmer side, what are they thinking? And why would they buy a micro irrigation system through a non-subsidiary route rather than a subsidized route?

Anil Jain: So yes. So there, I mean some of the states, right, even where the government is placing orders on our behalf, we are doing cash and carry business. And there, the answer is why do farmers letting go 70% subsidy, why they would pay 100% cash and buy from us is because there's the benefits they're getting. And sometimes, some of the farmers are ineligible for receiving subsidy, right? For example, subsidy is given to every farmer, and depending on the state rule, maybe after 5 years, and if the farmer has changed his crop or he's wanting to buy a new system with new technology or latest features, then he might say, okay, I'm making so much more money. I can afford to invest myself 100%. And that's why they are buying.

Tej Patel: Got it, sir. And sir, what are the current receivables which are still left to be realized under the project business?

Anil Jain: There, I talked about, right, that approximately the total government project in the pipe division and drip irrigation division is close to about INR900 crores.

Tej Patel: So these are the receivables, right?

Anil Jain: Yes.

Tej Patel: Have we created any provisions for it? I mean do you expect if any write-off would happen? Or you expected to realize all INR900 crores?

Anil Jain: Most of that should come through, right? But some I think -- I don't think it is going to be a very big sum change. But when you close the project, right, you need to -- the government as well as you end up calculating some of the things which have been happened on the project. So there could be some amount of impact. But by and large, I would say these are good receivables and most of them will come through.

Tej Patel: Okay. Okay. And sir, what would be our current utilization across the 3 different divisions?

Anil Jain: I would say, generally speaking, pipe is closer to 55%, 60%. Within season, it is 75%. The drip and sprinkler is around 45. In the season, it is 55% and 60%.

Tej Patel: Okay. Okay. Okay. So probably on a consol level, it's probably 50% to 60%, right?

Anil Jain: Yes.

Tej Patel: And sir, how much is for pipe sale would be to the micro irrigation, right? Out of the total pipe sales, how much would have -- how much of it will go to the micro irrigation business?

Anil Jain: So as far as we are concerned, the pipe, which -- when we show the Plastic division, right, we have a Hi-Tech Agri Input and pipe. So whatever pipes get used in micro irrigation are produced under micro irrigation division only.

Tej Patel: Okay. So they're shown under MIS only.

Anil Jain: Under MIS, yes.

Tej Patel: Okay. So the pipe -- the Plastic division revenue is other than micro irrigation, probably Jal Jeevan Mission.

Anil Jain: Yes.

Tej Patel: And sir, now currently out of the sale of the international business are spreading almost 1/3, 1/3, 1/3 across all the divisions on consol basis. So sir, do we expect this share to be like this or do you have any internal thoughts regarding this how to maintain this going forward?

Anil Jain: I think going forward, we expect all businesses to grow, right? But every business has a certain level of cycle. I think pipe business would remain always, plus as a plastic part, it would remain strong. I think in terms of percentage of growth; followed by, I would say, irrigation; followed by food because food is somewhat more mature business. Pipe has a lot more, I think, potential to grow because penetration levels are quite low.

Moderator: The next question is from the line of Sumanthan from Relay Investments.

Sumanthan: Sir, I just wanted to understand, having gone through multiple cycles over numerous years. So I understand our business has a lot of moving parts. Sometimes it is monsoon, sometimes it is our reasons for plastic products. Sometimes it could be raw vegetables and fruits, which we do as part food processing industry. So having gone through multiple cycles and having gone to a lot of stress period, so how do you think, sir, for next 2, 3 years, we have positioned or how we have more resilient in terms of business because these are things maybe beyond our control. So I wanted to get some sense on that front. So that is my first question. I'll follow up my second question after this.

Anil Jain: So I think that's a very good question, and that's what we, at the management level, also keep working on. And I think talk about steps we have already taken and the steps we will take going forward. So one of the steps which we have taken, right, because of the seasonality linked to the climate change, is that while we have been primarily selling, as you know, in West and South. But as we sell more in North and East, and that's where we are building our network now, I think that can partly buffer us from the seasonality change.

That's one. Other part of tackling the seasonality in India or climate in India issue, is to increase exports because as exports grow more, partly again, it can help buffer the seasonal change in India. In terms of the profitability angle linked to the plastic raw material prices or oil-based derivatives, et cetera, there, I think you would have seen over the last 2, 3 years, while we were trying to change business model and improve cash flow, margins have held themselves.

And the reason has been better buying of strategy in terms of what we do in India and what we import from other markets, and also selling more value-added products in terms of product mix side. That is the way you can keep ensuring good margins despite the variation coming from raw material. And third, that working out a new type of arrangement with the dealers on price transmission.

So our price transmissions nowadays are, especially in pipe business are quite efficient in a sense, if I see raw material price increase today morning, by afternoon, we also increase the prices in the marketplace. So price transmission, right? Because only up to a point, you can absorb, otherwise risk, but also overall industry is moving towards that way. So that price elasticity comes into the play through the transmission.

On the Food side of the business, again, the way to fight the change in availability of raw materials or sudden spurts of too much of mango or less of onions, et cetera, is to one, create more crops you can process. So for example, while we have been primarily doing mango and onion, we are seeing garlic as something to grow more upon. We are seeing tomato, we could process more. As a part of spices, we are looking to process more of North American ginger.

So as we run the plant for 11 months, then some of these seasonalities, again, can be captured there and can counterbalance each other. And there again, the domestic versus business versus export business, that also balance which we're keeping. So as we go along, right, the idea is that we, as a company, while there are separate divisions, you work through the entire ecosystem of the entire value chain of a jeevan crop like Banana or a mango or pomegranate or onion, garlic or tomato, et cetera.

And so you get a different level of opportunities to process, to trade, to add value, to sell to the same farmers planting materials for Tissue Culture Division, et cetera. So again, so that no matter what, no matter with the external factors which influence our underlying business, we make it more and more stable and steady going forward. And on the other hand, because of this kind of seasonality in the business and unpredictability, the other thing which we have decided and we have been now over the last 3, 4 years, we reduced overall debt by half at a consol level, is to further reduce the debt, right? So as the debt burden and interest burden goes away, it becomes easier to manage than the underlying business model.

Sumanthan: Right. So thank you for sharing that light. So I think you've also kind of highlighted we are moving to the ecosystem. But I think you would also agree partly that over previous cycles, we added on things probably which were not actually part of our strong suit in terms of, say, suppose some kind of NBFC decisions and some kind of project, which would have given some scalability on the revenue side.

But sir, I just wanted to understand as we are standing now, we are also seeing things deleveraging happening and management also trying the level best. So going for next 2, 3 years, when do you think that all our cylinders can fire? Because I understand tissue culture is one of our good cash cow. It's a advanced business, there is no receivables and it is growing very steadily, [inaudible 0:39:49] and Jalgaon and many other products.

So standing here or seen from now for the next, suppose, 2 years of whatever management can kind of perceive as of now. So when do you think you can have all cylinders firing because I know it will take a lot of time to destress some of our assets. And also, have you shared some thoughts on probably selling off some of these projects to some private equity or some kind of -- if there is a possibility, so that would be very helpful.

Anil Jain: These set of projects don't get sold to private equities. But in terms of firing on all cylinders, right, in terms of all business is doing well across all the major 3 segments which we have, we think you would already start seeing that in H2 of this year, but larger issue is the quality of earnings, what you want to see and free cash flow, I think that would happen over the next 4 quarters because most of these old government linked to project outstanding, et cetera, should start flowing back to us as we complete the projects.

And that recovery, part of which will go to the reduction in the debt, part of which will stay into the business to provide that extra push to develop the retail network, right? The core idea, right, when we change the business model was that consistently, we should sell more into directly through the dealers and where we are recovering cash before we deliver, right, kind of. So very nominal small single-digit days of credit. And that we are succeeding and we have moved quite a lot than we were before.

And that's what our focus is. So some of the things that have been passed and you talked about NBFC or whatever else, that decision was taken 10, 12 years ago, because we didn't want this long-term credit on our balance sheet. But then when the government waived the loan to the farmer, that did not work. So -- but now under the new model, we are not talking about giving any credit, right? So I think the new things which we are doing, like not giving -- deciding any credit has no downside, has only upside from where we stand.

So -- and we are very clear in terms of when you look at cash flow, revenue and profitability that the order currently, what we are focused on has been the cash flow, margin and then the revenue. So you see lower revenues or whatever. But we are taking conscious calls sometimes. Okay, this sale is available, but I will not do it because that would mean blocking my money for 6 months. I don't want to take that business.

So -- but I want to still make the effort to do more directly with the farmers. And as we succeed and come closer to that model, which we have done a lot, but I think some more to go through new geographical expansion within the country, you would start seeing impact of all our actions, as I said, not only in revenue or profitability but in actual free cash flow.

Sumanthan: Sir, one small question, and I'll come back in the queue.

Moderator: May we request that you return to the question queue for follow-up question, several participants waiting for their turn. The next question is from the line of Sanjay Kohli from GoldStone Capital.

Sanjay Kohli: Anil ji are we going to maintain this guidance of INR7,000 crores of FY '25. The sales guidance for the entire year, which is indicated around INR7,000 crores, are we going to basically maintain the guidance now going forward?

Anil Jain: Yes. I think, see, this quarter's mix, as I said, was very specific. So in terms of overall revenue, I think a number of INR7,000 crores is definitely doable. As I said, part of that comes from Food, apart from Plastics and rest will come from normal business.

Sanjay Kohli: Okay. That's encouraging to know that, but we are maintaining our guidance. I only have the one question for the time being. I'll rejoin the queue.

Moderator: The next question is from the line of Ankit Bansal from AB India.

Ankit Bansal: Sir, looking at the numbers, they are not very encouraging, sir, it 1.5 years, the restructuring agreement has been done. Sir, how the company is progressing, sir? I'm not able to understand you in the recent con call you promised to live to the glory path of the Jain Irrigation. But sir, revenue is down, x, y, z reason, the elections there, but how are you ramping up? What are solutions that will take Jain Irrigation to the past glory?

Anil Jain: I think, see, I've been very clear, and if you really see the transcript over the last few quarters, a couple of years, is that we have worked hard to change the business model to sell to more figures and generate cash flow and reduce receivables. There we have succeeded, that has happened and one can see that over 3 years, how it is -- where things have still gone flow has been recovery of the whole government project, but I think we are coming into the final lap and over the next 12-plus months, we expect to close most of existing projects and recover this INR800 crores, INR900 crores, which is out there. And as that burden goes away, I think from overall balance sheet, you would clearly see much better balance sheet and P&L in terms of going forward.

In our business, it is always possible that a given particular quarter can go weak due to things which are beyond our control. But generally speaking, as I just answered the earlier question, our overall -- what we are talking about for the year, it does not change what we had planned at the start of the year, even though this particular quarter is weak.

And in terms of glory, right, the fundamental things, which I think all stakeholders would like to see, especially shareholders, is that the debt goes down to a reasonable level from where it is -- we have brought it down by 50%, but I think even in my own estimate, it is still high, and we are committed to bring it down further, and through receivable reduction that will go down apart from internal accounts.

And the second part is that the cash we generate through selling, the new sales which we do to the new customers, new dealers, new farmers, that should come back home right away and quickly. And that part is already working. As we do more volume there, you will start seeing more free cash flow. So again, I think where we stand is not for want of trying. I mean, very clear and very concise basis in terms of new direction. In terms of time, it is taking a little bit sometimes beyond us.

But I don't want to take that as some kind of an excuse that this reason on that. I am not talking about excuse. We had anticipated first quarter to be weak. I think we have kind of referenced that to that as well when we spoke in the past. But for the rest of the year, again, second quarter usually is a weak quarter for us because of just nature of business. But if you look at for the fiscal year, FY '25, we would be better off than '24 quantitatively, but we would be qualitatively much better than all early years.

Ankit Bansal: Okay, sir. Sir, are you sure these receivables will come this year because you are saying, I think from more than 2 years, 3 years, this receivable amount still remains the same INR800 crores to INR900 crores. Nothing a penny like INR100 crores, INR50 crores have come in account. Are you sure this year, they will come? And sir, how will you maintain the revenue you are saying that this is doable. You are not saying that we will do it. [inaudible 0:48:52].

Moderator: Ladies and gentlemen, thank you for patiently holding. We have the management team back on call. Mr. Bansal, please go ahead with your question.

Ankit Bansal: Sir, I was just referring, sir, are you sure these receivables will come because you have been saying from last in 2 years, nothing a penny from this INR800 crores to INR900 crores have been come. And other is, sir, are you sure that revenue because you have said that this is doable. You have not said that we will complete it. Are the revenues -- will you be able to do for the year, Sir?

Anil Jain: Okay. So two things. So I want to just correct one statement. You have said not a single penny has come. That is not correct because we have received large amount from the old receivable. But to complete the remainder part of the project, we have done the new invoicing, right? Last year, for example, on the project, there's almost INR600 crores of new invoicing. So including new invoicing, what do you see is INR900 crores outstanding. So substantial amounts have come and somebody can go through that analysis for -- our finance department can take you through that.

On the second question, which you talked about in terms of overall where we are. I think as things stand, we expect, as I said, H2 to be very strong, and we should be able to hit that INR7,000 and odd number in terms of revenue growth with the orders we have, the commitment we have from our dealers, what we are able to read in terms of underlying farmer, pent-up demand, et cetera, et cetera.

Of course, every quarter, one has to see how things go. And that's why, actually, at the start of the call, I said once this lean second quarter gets over sometimes in October, we will be more firm. But overall, this particular quarter of what has happened, I don't think it suggests any structural change in the underlying business model of the company. It is a specific for 3 issues which were there.

Ankit Bansal: Okay. Okay. Sir, and how the Jain Farm Fresh business is going? Sir, what are the steps are you doing taking it to a global level, like a brand -- sir, as a North Indian, I have not encountered any brand of Jain Farm Fresh are not known brands like Nestle which are their brands. So how are you taking that business to another level?

Anil Jain: Okay. So I think the business which we have in Jain Farm Fresh primarily since inception, has been a B2B business. So you talked about the brand, right? If you know, Coca-Cola is a brand called Maaza. We sell a lot of our mango pulp to them. They add water and sugar, et cetera, and they make -- bottle the juice, they or their bottlers and they sell it to the market. You talked about Nestle. They have brand called Maggi.

We do supply dried onion or onion powder to them, and they add that to along with the rest of the stuff, and they sell Maggi. You've talked about -- if you talk about ketchup, whether Maggi or Kisan, we supply them tomato paste. So our primary business in this case is B2B. We supply to global companies, McDonald's, KFC or others with the ingredients which they use in their final brand. We have not been a B2C company. We are a B2B company. Even though over the last 1 or 2 years, we have done a small amount business.

It's not very big. It's a small business, where through online basis, we are selling smaller packaging under our own brand. But that's a very tiny business. It will take time to build the retail scale, et cetera. So right now, we are focused on growing our B2B business in global markets, in Indian market. And we are seeing also a lot more people are willing -- they need good quality suppliers.

They need more competitive pricing. And in the crops we process, whether it's mangos, banana, pomegranates, or onion, garlic or tomatoes, we are -- we have emerged as one of the large supplier out of India. So I think that will continue to grow. And we have overseas business also as a part of the food in the U.K. or U.S. and so on. And some of those businesses sell their brands locally within those markets. But as far as India is concerned, our primary business model is B2B.

Ankit Bansal: Okay. Sir, can we see B2B share in...

Moderator: May we request you that you return to the question queue for your follow-up questions.

Next question is from the line of Vinay Chaudhary from Invexa Capital.

Vinay Chaudhary: So can you give some light on the margin front? We understand it decreased due to lower top line. But can you give some outlook? Where do we see in terms of full year -- next 2 years?

Anil Jain: I think if you talk about overall couple of years, at the company level, the margins should improve primarily because of two reasons. As the government project part of the revenue goes away and the retail business is more part of the product mix or revenue mix that is typically more profitable, so that should help improve margins.

And second, as additional revenues through the sales would mean better fixed cost absorption, that should also further help improve the margin. Having said that, we are also keen to significantly increase our presence in new geographies or markets like Northern India or Eastern India, et cetera, where you need to be extra competitive if you're a new player in those markets.

So all in all, structurally speaking, I would say that over 2 years, you will see definite improvement overall level in terms of margin. But it won't be all that spectacular increases at margin level. Absolute amount, whatever is revenue growth of automatic net -- absolute amount of margins will go, but a percentage of margin, I think there would be definitely incremental benefit which would come into play.

Vinay Chaudhary: Okay. I think lastly, on the industry segment, so the Plastic goes and to the Hi-Tech, which we use actively. So how should we look at as a percentage of Hi-Tech revenue or what would be the benefit?

Anil Jain: Today, just to clarify, and I think if you see our investor presentation, we have tried to clarify and give that clarity. The Hi-Tech Agri Input business has micro irrigation, that is drip irrigation and sprinkler irrigation, and that is also Agriculture Input, which is the planting material, which we sell to the farmer.

So Hi-Tech Agri division has drip sprinkler as well as the tissue culture plant and solar water pumps. These are the 4 products which get sold to the farmers directly as a value-added product that is the Hi-Tech division. The Plastic division covers the piping part and plastic sheet parts, partly for domestic market, partly for export market. And part of these pipes do get sold to the farmer. That's the plastic division covers the piping part and plastic sheet part partially for domestic market, partially for export market. And part of these pipes do get sold to the farmer. That's the Plastic division as all about pipes and sheets. It's all mostly plastic. So I think that is the breakup.

Moderator: Next question is from the line of Rishikesh from RoboCapital.

Rishikesh: Just wanted to confirm regarding the pending receivables, is there any dispute with the government?

Anil Jain: I would not say, one or two places, there is some amount of dispute, but there is none of the -- in each of most of these cases, I would say, 95%, the payments are linked to the completion of the projects. So our some projects have been like 95% complete, last 5% is spending, where government needs to do something. And then only the funds will get released. So we are really expecting that to be get done. But by and large, these are not contested, I would say, in terms of legal thought process, but there can always be two different views. But by and large, most of these receivables, we should receive as we fully complete the project.

Rishikesh: So once we execute the remaining project, we should be getting the proceeds, right?

Anil Jain: Right. And at that time, right, government can contest some of the debt. This cost was not there or this is overrun of the cost, et cetera. But as I said, based on our experience, right, by now, I think we have sold and collected against the projects, right, almost INR8,000 crores over the last 7, 8 years and INR7,000 crores, we have collected, right? While this 900-odd is outstanding. So overall, I think we expect most of these payments to come through. There could be some variation, but that one would come to know not only when you close the project.

Rishikesh: So by this year itself, you will be closing the execution projects at your end?

Anil Jain: Most of them. I think by June next year, almost all projects should get completed.

Rishikesh: Okay. So have you started it already or you will be starting it when if you could let us know?

Anil Jain: I think it's an ongoing process. It would pick up more speed post October, post-rainy season.

Rishikesh: Okay. And by June, you are aiming to complete it?

Anil Jain: Yes. As I said, almost 90% of projects. So we have about 30 ongoing projects. Most of them should get completed by next June. 3 or 4 might take some more time, but that would be smaller percentage.

Moderator: Next question is from the line of Sivarama Krishna Kodali, an Individual Investor.

Sivarama Kodali: I've read the balance sheet Mr. Jain, and excellent balance sheet, especially the nonfinancial part of it. And it communicates to all the benefits that the farmer can have by the partnership with our company. But I understood as an investor about how do we make the farmer understand? What is the strategy that we have to get the farmers in the board, especially, we think you have a good model of supplying them tissues, what you call supplying them the sprinkler systems and then what is also buying back, we have excellent model. That's one question.

How do we communicate to the farmers that's actually beneficial and they should be working with us? And the second thing I've heard that in the many earlier conference calls also that we will be strengthening our distribution system that we have strong in Western South, but we would be expanding in North and East, and we have about 3,000-odd dealers and the number would go to about 7,000, but what was the number of dealers last year? And what are the number of dealers now? And how many more new dealers do we have in Northern India and Eastern India?

Anil Jain: So okay, two parts to your question. The first part, in terms of communication with farmers and engagement with farmers, that's an ongoing way. One way we do, right, we have this demonstration farm at our headquarters in Maharashtra as well as in Tamil Nadu. And we invite farmers to come see, we engage with them. So in January, February, we had 40,000, 50,000 farmers to come and meet us there physically.

So that is one way. The second is to go to individual villages or regions or areas where there are clusters and do campaigns there, along with our experts and the local farmers carrying a street corner meetings or meetings along with the university experts, et cetera. And that's an ongoing thing we do in by crop. So if we have more cotton farmers or more mango farmers, that's another way we are engaged with the farmers.

The third way to engage with the farmer is through our dealers because dealers have already an existing relationship. So where our sales engineers and economists to work with the dealers to canvas to the farmers and convey them the importance of what we do. Fourth is, around the country, there are a lot of agriculture linked exhibitions, and we participate in these regional exhibitions in various places, so that the local farmers who come and visit the exhibition do get some demonstration benefit as well as our people are on the stands come met with them.

So as a company, we are actually reaching out to a few hundred thousand farmers every year. And that is how we are continuously increasing the base in terms of reaching out to the farmers. In your second question in terms of increasing the dealer network, I think we have created good level of dealers in West and South. And especially South, we are right now actively strengthening quite a lot.

And our business, as a result, has grown I think over the last 2, 3 years, almost INR300 crores a year in South because of additional dealers. We have opened another, I would say, about somewhere between 50 and 100 dealers in rest of the country over last 9 to 12 months. And as we go along, right, it's not only the quantity of the dealers, but the quality, there is strength in carrying inventory as a distributors itself.

So that is what we are working on. Getting right people who are committed to our business for next 10 or 20 years because a lot of our dealers are have been with us for 20, 30 years, and that has really done a wonderful well -- it's mutually beneficial relationship. So I think over the next 1, 1.5 years, we would be able to report much larger penetration. And the best way to test it, right, whether our new dealer network is working is you see the sales in the newer states compared to the West and South, where we are quite already doing well now.

Sivarama Kodali: Yes, but we have been talking about increasing the number of quite significant terms, 1500 dealers is not much because for a company like ours, I think reach and penetration is very important, right, Mr. Jain.

Anil Jain: Yes. I think when I'm talking of dealers, dealers come distributors, right? Some of our distributors carry sub dealers under them. So when I talk of 1 distributor, you would have about 100 dealers. The West and South, the model has been more individual dealers rather than distributors.

But in the rest of the country, North, Northeast, et cetera, there is a model which works is more of a distributor for you. But then the distributor has a lot many sub-dealers. So a combination. So I'm right now talking of only people with who we deal, either dealers or distributors. I'm not counting into these numbers of sub-dealers.

So I think we understand it's basics, right? So the idea is that over the next 3, 4 years, business should double in its size, whether pipe or drip going to the farmers. And for that, whatever the adequate network required, either through distributors who have a large number of sub-dealers or directly dealers is what we are working on.

Moderator: Mr. Kodali, are you done with your question?

Sivarama Kodali: Yes. I just want to recheck. I mean, you said, in 3 to 5 years the business would double, is what you actually said, Mr. Jain?

Anil Jain: Yes, that's our plan.

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

Anil Jain: Yes. So my apologies for some disruption. I do not know what was with communication. But again, I would like to thank everybody for their interest in the company and continued questions and queries about where we are and where we are planning to go. I just want to assure that I believe we are on the right path, which should result into much better value for all shareholders going forward.

And while our business by it's inherent nature, has seasonality, cyclicality and unpredictability. We are trying to work with a model, which would be more, I would say, predictable going forward as we go along and also, which will be more free cash flow generative rather than just merely revenue. That's what we are committed to. And I think as we talk sometimes in October, I should be able to give you more clarity on FY '25 numbers and outlook for '26. Thank you very much.

Moderator: Thank you, members of the management team. Ladies and gentlemen, on behalf of DRChoksey FinServ Pvt Ltd, that concludes this conference call. We thank you for joining us, and you may now disconnect your lines. Thank you.