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JISL/SEC/2023/11/B-2/B-6 16th November, 2023

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

Sub: Transcript - Q2 of FY2023-24 Earnings Conference Call

Dear Sir/Madam,

Please find attached herewith transcript of Q2 of FY2023-24 Earnings Conference Call held on 10th November, 2023 at 3.30 PM IST.

Please take the same on record and acknowledge.

Thanking you,

Yours faithfully,
For Jain Irrigation Systems Ltd.

AVDHUT VASANT GHODGAONKAR

Digitally signed by AVDHUT VASANT GHODGAONKAR
DN: c=IN, o=Personal, title=0699, pseudonym=4167080bde284ad9af87511f13c3ee2e, 2.5.4.20=b8f331f512bd03de8efff4b3f64d135cb46f74c58815e29edee5911bcc3ffd61, postalCode=425001, st=Maharashtra, serialNumber=824384b5181cddb68de057dd1684b25fa216f2a759e9d36733bf5121ce2a601c, cn=AVDHUT VASANT GHODGAONKAR
Date: 2023.11.16 09:39:19 +05'30'

A.V.Ghodgaonkar
Company Secretary

"Jain Irrigation Systems Limited

Q2 FY '24 Earnings Conference Call"

November 10, 2023

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

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

Moderator: Ladies and gentlemen, good day, and welcome to the Q2 FY '24 Earnings Conference Call of Jain Irrigation Systems Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during the conference call, please signal an operator by pressing star then zero on your touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Karan Kamdar from DR Choksey Finserv Private Limited. Thank you, and over to you.

Karan Kamdar: Thank you, Farhan. Good evening, everyone. Festive greetings. Welcome to the Jain Irrigation Systems Limited earnings call to discuss the Q2 FY '24 results. Today, we have on call Mr. Anil Jain, Chief Executive Officer 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 must be, therefore, viewed in conjunction with the risks 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 our company website also.

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

Anil Jain: Thank you. Good evening, everybody, and happy Dhanteras. Happy Diwali. Today, hopefully, I'll try and keep my -- when -- I speak a little bit short, considering last time in terms of the evening and the Diwali which is there. So friends and all shareholders and analysts and media, we just published our results yesterday.

We had a very good quarter. Revenues in India are up 33% in usually a weak quarter. And the way I see it, our revenues have panned out quite well across different business segments. And earnings were even higher than the revenue growth almost by about 45%, so that augurs very well for the entire fiscal year results.

And even if we look at consol revenue, which is apart from the main business in India, the food business, which is in our subsidiary as well as the overseas plastics business combined together, still has rose about 26% in the second quarter. And for the whole year -- for the first half of the year, it has been about 22.6% and EBITDA is up about 56%.

And so when you look at all these numbers, the growth looks quite promising. And most of this growth has actually come from the retail business, the business where we sell to dealers. And as you know, we have talked about earlier that we are slowly winding down the projects, so the actual revenue coming from projects is lesser now than the earlier period.

So if I really look at the retail business where we sell through the dealers to the farmer more on cash and carry model. So in micro irrigation, if I look at retail, we had almost about 47% growth, which is huge. In piping, it was about 40%, which is also quite high. So that way, we see this momentum continuing going forward, more focus on dealers in existing areas, in new areas and more focus on cash and carry model, which would continue to help us to reduce the working capital footprint and improve the ROCE. So that is what we are seeing in terms of underlying business.

And if I look at different segments, so let's say, hi-tech business and plastic business, overall, hi-tech business this quarter grew about 19%, and that included the Drip and Tissue Culture. And there, as I said, overall, actually, dealer growth is 47%. So 18.8% looks low. It is because of negative growth in the project business. But where we want to focus the growth is where we want it to be, and it is quite robust.

And the plastic business actually is at 67.5%. Even though within plastic business also, there is a project portion, even though smaller and that was reduced by about 48%. But despite that, overall plastic business is actually 67.5% because institutional business of Jal Jeevan Mission has been doing quite well, apart from the retail business with farmers being serviced through the dealers.

So all in all, significantly high growth across different businesses. This is more about the stand-alone India business. But even if I look at on the consol side, when I look at agro processing business, overall has grown about 15%. So that's nice for that type of the business. And EBITDA actually there has grown about 42%. So again, good revenue growth and even a higher growth on EBITDA numbers. Plastics in India as well as outside is doing well. And I think it would remain so for the remainder of the year and moving forward next couple of years.

Now as I talked about the revenue growth and profitability, both have shown very good outcomes. Even in terms of when we look at the cash flow, I think the net cash, which was generated from the operating activities, post working capital changes for the first half has been about INR229 crores and consol basis, it's about at INR250 crores. So -- and in fact, before working capital changes, operating profit is INR400 crores on a consol basis. So those numbers from cash flow post working capital also look good and that should help us sustain the growth rate going forward.

Now generally speaking, we have a second quarter, which is June to September, it's a weaker quarter because of seasonality and the rains. But -- so typically, we end up about 40% of overall revenue in the first half and 60% in the second half. And usually, 1/3 of EBITDA kind of -- 35% EBITDA comes in the first half and remainder of EBITDA comes in the second half. That's how it plays.

So based on the numbers which we already achieved in the first half, we are fairly confident to maintain high growth rate on revenue as well as a higher growth rate further on the earnings side through EBITDA. Our company has been working hard to manage this kind of growth without any additional borrowing. And in the second half, especially as a lot of inventory gets sold and cash comes into hand, we would be able to use that to further actually reduce the debt despite this kind of a growth in the revenue in the business.

And in terms of negative things or the risk issues or whatever, geopolitical events worldwide are there, for sure. Oil prices did go up and that impacts the polymer prices. So lots of issues are happening in market in a sense, the polymer prices are a little bit volatile, they go up and they'll go down every two weeks. And things are uncertain.

But I think with whatever strategy we are going to the market to our dealers, to our customers, to the farmers, our pricing policy is helping us to maintain the level of margins which we had budgeted for. And despite all this volatility, we are able to deliver on those margins on a consistent basis now for last few quarters and especially in the current year in the first two quarters. So this is where we are as a company right now.

In terms of the second half, whatever our discussions with our dealer base is they are quite encouraged. They are looking at a good season going forward. There was -- in some pockets, there are issues due to patchy rainfall. Parts of Maharashtra really suffered a lot. Some of the farmers lost money because their crop got spoiled, and -- but there are some other areas where you're doing better.

So overall, there is that compensation which is taking place or balancing which is taking place. Despite the patchy rainfall, I think we are not changing our overall outlook for the current year in terms of the business opportunity and in terms of our ability to execute on that business opportunity, which is there.

Now I think in terms of inventory and receivables, I think, as I said, our overall working capital cycle, we are bringing it down. And if you read through some of our investor presentation, which we have shown, in India, especially where things are really high, inventory is coming down. Last year, same period, it was 108 days, now it is about 84 days. And overall, net working capital last year was about 300 days, and now it is down to 213 days. So significant improvement and even compared to the last quarter of June, there is improvement in the overall working capital cycle.

So while lot has improved from where we were, still some more work needs to be done. Some of these old legacy receivables will take time between now and March '25 to kind of fully clean them up and fully recover those receivables. And that -- those funds, as they become available, can be used to pay off the debt, which is out there and part of those funds can be used for increased working capital requirement because to maintain this kind of north of 20%, somewhere between 20%, 30% growth rate, you need additional working capital.

But as long as most of that growth comes from dealers, then we do not need actually that much of working capital. And that's why this can be used to reduce the debt, and that's how we see it going forward.

In now moving beyond the Jain Irrigation's main business of drip and the pipe and tissue culture. Tissue culture, the third part, which is comparatively a smaller business, but it is doing very well, some of the banana plants we sell to the farmers. Booking has already been done up to -- all our capacity until next May has been booked by farmers were paying advance because they are getting good value for the banana crop, and therefore, they want to invest and be sure that the good quality plants remain available to them. So that is going to help us.

And we need to increase some of the capacities there because those capacities would help us to significantly capture the additional market going forward over next three years to four years. And not only banana plantation -- banana plants, but we are seeing more demand for papaya. Our potato seed business is growing.

So I think that overall division, which I said last year was hardly INR175 crores, current year, it was -- it is going to be INR225 crores. But in the next few years, we see in Phase 1 that to double closer to INR500 crores and over the next five years to seven years for that to go to INR1,000 crores. And that is one business which has significantly high EBITDA. So -- and whenever we sell tissue culture plants, we sell along with that drip irrigation to the farmers, the pipes and so on. So it pulls the rest of the business also along with it. So that is positive.

In terms of food business which we have, which is through our subsidiary, this year, mango prices were reasonably good between July and September. So we have been able to process good quantities of mangos. Our order level is good. Whatever we have produced has already been contracted to be -- has been sold, but it needs to be shipped as per the customer requirement over next nine months to 12 months, and that is the nature of that particular business. And we are waiting to see how the -- in the last quarter, main onion processing takes place. And as of now, indications are that would also be a normal season as things stand today.

Our overseas plastic sheet business has been doing well. We are reorganizing that business a little bit because it is operating in US, in Northern Ireland, Southern Island and so on. So some work is going on there, but that business is also giving us actually -- our total capital employed in that business is fairly limited. And it is generating north of actually 25%, 30% of ROCE in that business. And despite the slowdown in all of that, in Europe, we have been able to do well. Post COVID, things have started falling in place again now. So business is profitable and doing well.

So all in all, I think everywhere we look into our businesses, things are doing well, and we should continue to maintain this level of execution. And sometimes I meet investors and a few other stakeholders, and they ask me, what is new? What's next, what is different? So actually, I'm saying we need to do just far more of what we are doing today still tomorrow.

We have production capacity in pipe and drip business and demand for each of our segments will remain robust for short, medium and long term. And we just need to go out and execute rather than think a lot of new things. Few things we need to settle which we are in the process of as a part of general structural change in the company where you focus on definitely positive cash flow apart from just the revenue and earnings growth. So that's where we are. And I think this is a good year for us up to now, and we look forward to remainder of the year, also still good.

And there are challenges, I don't deny, and market forces and market issues. But I think we'll be able to manage those and still deliver on the numbers, which we have talked about at the start of the year.

With that, I would like to end my few words, and I would request the organizers to open the floor for the questions. Thank you.

Moderator: We have our first question from the line of Kalidas, an Individual Investor.

Kalidas: Yes. So my thing is we see a tremendous potential in things. I'm very much excited about our company, the potential of company. My request would be, are we looking at any possibility of changing like our marketing strategy because we can see ourselves as a tech company, agri tech company. But when we talk about this technology with the farmers, many of the farmers may not understand that. But I see -- even I myself -- though I work in IT, I myself come from farmers background. So when I tell my father, my father will better understand.

So are we not changing our strategy a little bit? Instead of like reaching up to -- along with reaching farmer, can we also not do some marketing with this tech guys reaching out to them and educating them, maybe a small show because many of the IT guys, they may even look at this kind of technology and doing farming. So that is my one question. That could be done maybe in front of the IT companies or even at the apartment because many of the apartments are looking like roof garden, wherein they may explore all kind of micro irrigation, yes. That's just one question.

Now my second question is related to the debt because many of the value unlocking comes through debt reduction. There are many companies like Suzlon so and so which has produced a lot of value on lately when we reduced debt. So are we looking at any kind of inorganic debt reduction apart from paying up our accruals and profit, say something like no rights issue or some other means to drastically or being aggressive on debt reduction? So those two are my questions. Happy to hear from you, sir.

Anil Jain: Sure. Thank you, Mr. Kalidas. In terms of marketing, generally speaking, we have reached out to only about less than 10% of the existing farmers side. And while there are some farmers who do not understand new technology. But every year, we are servicing about 2,50,000 new farmers, right, who are willing to take the risk with the new technology and understand the technology.

So that part is going, and we would need to continue to stay on that path because, as I said, only about less than 9% to 10% of the physical area in the country is under efficient irrigation like drip and sprinkler, while rest is still flood, and we need to do a lot of work to cover those farmers.

The other part, the active people or people who are in -- they want to grow plants or fruits in their own apartments and things like that, in my mind, that is a much smaller market. And we -- actually, our products, we have the whole ag tech requirement, right, in terms of the entire agriculture and the farmer part of it. And a lot of farmers are buying this ag tech. Even though we are not known as "ag tech company," but I think we are the biggest ag tech startup in the country because the reason this company exists is the technology interventions we have brought to the farmers, right?

We don't sell commodity products. We sell only technological customized interventions which improve farmer productivity and prosperity both by leaps and bounds. And that's what company's mission and moto has been for -- since it started in 1986. So that will continue.

This other part selling to the households and others, there, we have now build kits, etcetera, and those are available on Amazon for people to buy. We have not done active marketing there because we don't -- as of now, it's worth spending that money. But product line is available, and we do sell every year still now. But overall, I sell INR2,000 crores worth of drip irrigation, and it's about INR10 crores been sold through online to various these kind of household customers. So there is a big difference there, and one will pick that up maybe at a later date as things evolve.

In terms of your second question on the debt, we do believe and we want to continually deleverage the company on various parameters. As you know, last year, the debt was close to INR7,000 crores. It is now down by about almost 50% with whatever inorganic transactions we have done, plus the way we are running business now.

So every year, we plan to significantly reduce the debt through generation of free cash flows out of the EBITDA. In terms of anything inorganic, it's speculative. There's nothing on the drawing board right now, so I would not like to comment on it.

Kalidas: Sir, one quick question.

Moderator: Mr. Kalidas, I request you to join back the queue please as we have other participants waiting. You may join back for follow-up questions. We'll take our next question from the line of Pritesh Chheda from Lucky Investment Managers.

Pritesh Chheda: Sir, it's quite commendable that you have kept the balance sheet static and grown for the last six quarters. Just a few things that we wanted to check, one, this whole receivable which is there on the balance sheet, what needs to be done from your side? Or what is the process to get these receivables encased? That's the first question.

Anil Jain: Yes. Second question, so I can answer both.

Pritesh Chheda: Okay. Second question is now considering the debt that you have, which is at about INR3,500 crores plus number. And if you look at whatever the annualized half yearly EBITDA or whichever 35% of the EBITDA which you mentioned first half, 65% second half, then you are still running at a 4x -- plus 4x debt to EBITDA. What are the tools available to you in order to reduce this debt? Because your natural cash flow method or natural growth-based method of reducing debt won't happen. So what are the tools available to you to reducing the debt? So these are my two questions.

Anil Jain: Yes. So on first question -- good question. On the first question on the receivables, almost about 50% of the receivables are linked to the government and linked to the project. We expect to complete this project on a milestone basis between now and every quarter a few and others. But I think definitely by March '25, 95% of projects would be completed and done with, and we would have received the money.

So I think the only way we can recover that money is by completing the projects, which also requires some of the infusion, right? You can't complete the milestones unless you do a certain amount of work, which requires the funds to be put into that project before you can recover. And that's a tight cycle, which we are maintaining because we don't want to compromise on the other hand, our retail business, right?

There, you need some amount of inventory, etcetera, so the dealers are able to service customers in one day or two days or three days like that. So that is the way I think these receivables. You will see some reduction already by March '24. But by March '25, majority of these legacy receivables will go away and that cash will become available into the business.

In terms of your second question, which is linked to EBITDA and overall debt. So based on the, let's say, current year, the EBITDA is somewhere between INR900 crores to INR1,000 crores. And debt is about INR3,500 crores, right, INR3,500 crores. So that takes you to about 3.5x rather than 4x. Another big part of this debt, about INR700 crores to INR800 crores, as you know, these are 0% NCDs, given payable in 2028. So actually, it is not an interest-bearing debt, one would say.

So if you take -- substract that, then we are at this closer to INR2,800 crores, and part of that will get repaid between now and next March as well. So our target is actually on a net basis, not considering the 0% NCD, to be closer to 2.5% in next 12 months or so. And then bring it down further, maybe to less than 2% as we move towards '25, March '25.

So that -- those kind of aggressive plans we have. And most of that is -- goes back to the business portfolio and the way working capital cycle is going to work. So high debt is not something we want to continue. And that we have stated, we have partly achieved good result by reducing debt by 50%. Another reduction, I think, through performance, you will see over next eight quarters or so.

Pritesh Chheda: So it's a natural process of debt...

Moderator: Mr. Chheda, I request you to join back the queue, please.

Pritesh Chheda: Ma'am, I have just asked two questions, and I'm just clarifying. I've not even asked the third question.

Moderator: We request you to ask only two questions please, as we have other participants waiting. We have our next question from the line of Chirag Shah from White Pine.

Chirag Shah: Sir, congrats for good set of numbers. Sir, my first question is if you can just summarize the recent pledge transactions that we had. So -- and exactly what is the holding of the promoter now because there were pledge transactions plus there is a receipt of money which can happened for against warrants. So what is the current holding? What is the current pledge? And if you can explain, it would be helpful, sir.

Anil Jain: I think current holding is around -- on effective basis, I think somewhere closer to 27%. And out of that, about 15% was pledged. I don't have these numbers to be honest, off hand in my head. But there has not been much change. It has moved from one party to another. There were -- earlier, there were multiple different parties, it has come to one party. But as we have said, right, in next 18 months or so, we plan to significantly bring down the pledge by monetizing some of the personal assets. That process is on, but you will see results, maybe some results by March and some in FY '25.

Chirag Shah: So there is no reduction in your effective holding, right, sir?

Anil Jain: No. We have maintained. If we have issued any preferential warrants, etcetera. We have actually also taken the warrants, so that there is no reduction in our effective holding.

Chirag Shah: Sir, second question is on your net working capital days, which is on Slide 22. So versus last year, there is a significant improvement. What is the way ahead? So is this the ideal number that you have achieved or there is further scope? And how should one look at your working capital DSOs that you highlighted on Slide 22, across businesses -- across individual businesses?

Anil Jain: Yes. So there is a definite room for further improvement, especially on the receivable side, right? Because these receivables continue to have a very large chunk of these legacy receivables under the projects. So as the project business gets winding down and we recover all these old receivables and the new receivables and the new business we do would be more on a dealer basis where receivable levels are very low, DSOs are very low, so there will be a significant improvement, in fact, over the next eight quarters in the AR. So this number has to further go down.

In terms of the inventory, if you look at stand-alone business, the inventory of the plastic is hardly 45 days, I think that will stay there. So small amount of improvement in inventory, but significant expectation for the reduction into account receivable. Another part, when you work out the net working capital numbers, what about the payables. Because of the financial restructuring we went through, etcetera, we have not been getting a lot of open credit from the suppliers, right? I understand that situation.

But as company has become more stable, credit rating is improving, our performance is improving, we are able to pay them back time. We expect more open credit to also happen over the next few quarters. So net working capital number, which is 213 days for India and 171 for the overall consol business should significantly improve based on these two factors, reduction in receivable numbers as well as improvement in accounts payable. So both of these things evolve over the next eight quarters, as I said. And while I don't want to put a specific number where we want to be, but it would be far better than these numbers.

Moderator: We have our next question from the line of Darshil Jhaveri from Crown Capital.

Darshil Jhaveri: Yes. So just wanted to -- my first question, I just wanted to confirm that a growth rate of over 30% and you should be able to -- in revenue terms, and we should be able to do around INR1,000 crores for EBITDA. So that still stands, sir?

Anil Jain: I think in the EBITDA, we have always talked about INR900 crores to INR1,000 crores, right? Everything goes well, you hit INR1,000 crores. Because our businesses have impact of climate and seasonality and all of that. So sometimes, there could be. But I think, let's say, between INR900 crores and INR1,000 crores to INR950 crores is quite -- because we already have done more than INR400-odd crores for the first six months. And looking at 40%, 60%, that looks good.

In terms of revenue growth, stand-alone India business has managed about 33% for the first half and that should be maintained for the remainder as well. Other businesses are not growing at the same level. So overall, consol level numbers may not be closer to 30%. They might be closer to 25%, 26%, which is also on the first half. But second half comes with some additional support, right? So maybe we even hit the higher number. But just to be conservative, for the overall consol company, 25% looks as a good number. And for the EBITDA, I think that growth, which we're having about 40%, looks good.

Darshil Jhaveri: Okay, sir. And just wanted to be able to understand our finance cost a bit better, sir. I think we have around INR3,600 crores of debt currently. So -- how will a finance cost be maybe H2 and FY '25 because currently, it's around at a run rate of INR100 crores, which is -- to be honest, it will become -- so that will be higher than 10%, so -- right? But we also have NCDs which are 0% basically. So just wanted to understand the flow of finance costs, how would we be able to model for it? Yes, so that's I just wanted to reconcile that figure, how should we understand the flows of finance costs.

Anil Jain: Yes, that -- I can't give you a detailed granular answer, but maybe our team can work that out separately. But two larger points, right? Part of the debt, as you know, is 0%, so there is no finance cost to it, but current finance cost, which is displayed, covers also the reversal mechanism on the 0% NCD because under the accounting treatment, we have taken the gain.

And as we either repay NCDs that we come closer to the day time value, we need to add that back. So it is not actually cash outflow, but it does hit under the finance cost to the P&L on an average about INR17 crores, INR18 crores a quarter. So that's not the real finance cost.

So for the first half, you can -- whatever is the finance cost you see, you can reduce it by about close to INR32 crores, INR33 crores, and that is the real finance cost. And for the whole year, it would be closer to about INR65 crores, INR70 crores will be less than what you would see actually on the books on real basis.

If I really look at operating interest costs for the stand-alone business, our effective interest cost, including finance charges, etcetera, is about INR55 crores a quarter. And we have additional finance cost of about INR100 crores coming from the food business annually. And there also, we are trying to see how it can be reduced. And then there is some additional finance cost on the wholesale plastic business. So all in all, it's a little bit complex scenario in terms of -- but I think our team can explain it better.

Moderator: We have our next question from the line of Madhur Rathi from Counter Cyclical Investments.

Madhur Rathi: Sir, I'm trying to understand our operating cash flow has been flat on a Y-o-Y basis, even though our revenues and margins have improved on a consolidated basis. So when can we see these improved revenues and margins going to our operating cash flows?

Anil Jain: I think by March -- in the second half, you would see that there is a significant improvement in operating profits. But when you look at operating profits before working capital, last year same period, this was INR198 crores. Current year, it's INR289 crores. So there is actual significant improvement before working capital changes. But then post working capital changes, it is -- as you said, it is almost same as it was earlier, but by March, you will see significant changes.

Madhur Rathi: Sir, referring to the consolidated working capital...

Anil Jain: Yes...

Madhur Rathi: Okay. Sir, my second question was, sir, what will be our capacity utilization in various segments, pipes and agri -- hi-tech agri segments?

Anil Jain: I think depending on the -- we have different, different multiple product lines, capacity utilization is between 50% and 70%.

Moderator: We'll move on to our next question from the line of Ravi Kumar, an Individual Investor.

Ravi Kumar: Yes. First of all, Mr. Anil Jain, I think good turnaround. We've been -- some of us have been investors for the last five years, and we've seen the up and down, I think both on the financial engineering side and operation side. Great work. My first question is relating to the food business, right? I think while on the MIS, Jain Irrigation is known as #1 in India.

What is the vision for the food business? My senses would say slightly up critical mass at this stage. And because of all the financial restructuring and all, some of the management degradation was focused on other, what is the way forward for the food business? That's the only question I have.

Anil Jain: Yes, sure. So food business, also during the restructuring time and due to the COVID and the fact that main company was not doing well, it affected the food business as well. And I think in '21, we lost almost INR100 crores. So there's a huge loss in that business. That has been turned around, right? We are expecting current year, this is FY '24, food business to generate an EBITDA somewhere between INR240 crores and INR250 crores. We already did a good amount already in the first half.

So next year, FY '25, we see another 20% growth further on those numbers. And about half of this EBITDA is coming from our, what I call, domestic business in India, including export, and half of the EBITDA is actually coming from our overseas subsidiaries in Europe and U.S.A.

So -- and as you know, those markets have been really in turmoil and difficulty. But there, we have been able to improve our earnings.

So overall -- and this -- most of this earning, about INR240 crores EBITDA this year, is primarily coming from fruit processing, again, mostly mangoes and some banana, pomegranate, and papaya, etcetera, and onion and garlic part. And -- but we have built some capacities for spices, etcetera, which we are not really -- it has not taken off, I would say.

So in next two years to three years, I think that should do very well, and it's a big and growing market on the spices. So overall, I feel that food business is another -- going to be high-growth business, where our EBITDA is also coming closer to now going forward, maybe 12%, 13%, we are already eating. This year, I think we 12.8% now. Eventually, maybe we can add another 1%, 1.5% as we further better absorb the fixed cost. And so -- and 20% plus growth rate on the revenues, higher level of EBITDA and maintained minimum about this 12.8% looks good for the food as well.

And as I said right now, this is limited to some fruits and a couple of vegetables, but we need to add spices, we can add some more fruits. So opportunity to horizontally grow and also within the verticals, both still exist. The issue which we need to tackle there is working capital because of seasonality like in mangoes in about 75 days, you process something and you sell through the year. So you carry a lot of inventory, may not be much receivable but the inventory.

So some of that business model part we are still working on that how do we manage further growth, but without increasing too much size of the balance sheet. So we are having talks with our customers, our suppliers, the whole financing, supply chain to get some right solutions to those questions. But growth opportunity is there, business is profitable and doing very well, and there are extra legs with which we can run like as I said, spices and some additional other fruits, vegetables.

Ravi Kumar: If I may ask the second question. As part of the revenue still, I think there was some kind of an arrangement that they would -- we will also be exporting some of the products to them. How is that? Now it's almost like six months since -- more than six months actually. Has it started picking up our products being exported and being sold too early?

Anil Jain: Yes, it has started picking up. I think first quarter, April to June was really low. But I think in this quarter, it has started picking up. Already, we have started getting more orders. And I think we would see a far more robust exports through Rivulis between -- in the second half compared to the first half. And next year would be definitely far, far. I think next year, we'll hit our target of trying to do more than $30 million, that kind of exports.

Moderator: We have our next question from the line of Ankit Bansal from AV Investments.

Ankit Bansal: Good to see the turnaround in the company. But my main concern is -- sir, first question is about drip irrigation. Sir, you are being in drip irrigation from around 10 years to 15 years. It's been growing in the India. But we are not seeing a formidable increase in the market share of drip irrigation. As you are the number one player, as I'm living in a Delhi NCR region, I'm not hearing about any of the farmers about drip irrigation. Sir, how you are forecasting to make it to the India -- pan-India level drip irrigation? How you are seeing it as you're the number one player? Sales are not coming from this kind of business? This is my first question, sir.

Anil Jain: Yes. So I think drip irrigation in India, farmers pursue this as something, where if they are -- where they're short of water, they want to use drip as a technology, because it helps them save the water or limited water, they can still do the agriculture. So drip has taken a lot of routes in western and southern parts of India.

In northern parts of India, a lot of areas of UP, Bihar or Haryana, etcetera, are being -- farms are being irrigated through the canals and the rivers. So they get perennial water 24/7 and a lot of governments provide free electricity, free water and all of that. So those farmers don't want to invest into a water-saving technology, but they don't realize that it's also going to improve their productivity and so on.

So slowly, but surely, we are growing our business in northern parts of India, which you talked about. But I think it could be another two years to three years where you start hearing about drip as a normal part of farming, like in Maharashtra or Andhra or these areas, most of the farmers would know drip and are looking at drip as a right way of doing farming. But in Northern area, a lot of our farmers, this is novelty. They have not heard of. This is not something they are thinking of. I think that situation will change over the next two years to three years. And we are making direct efforts towards that as well.

Ankit Bansal: Okay. Sir, my second question, sir, about the turnaround, are we going to see Jain Irrigation in 10 years benefiting your loyal shareholders, those who are attached to the company from past 10 years, 12 years? And sir, what about rewarding them with the dividend constantly also? How can a shareholder trust Jain Irrigation now so that they can also be benefited?

Anil Jain: Yes, I think that's an important question. One benefits to the shareholders, of course, comes from the -- whatever happens in the market and the share price. And there, I think things have been better than what they were in the past. And I hope the market will reward the consistent performance we are able to show to the market now and that way, shareholder will benefit.

In terms of the dividend, as of now, company's priority is to manage this growth, and bring down the debt, which, of course, results into -- as you reduce the leverage, equity value goes up and shareholders will get benefited there. And as soon as feasible, I think we will start looking at dividend as well.

And in the past, we used to provide dividends. But during this period, we could not because of the issues which we faced and the losses which were there in the company. But we, as a company, are committed to ensure that shareholders should remain happy shareholders and should -- they should get returns for the loyalty and commitment they have.

So -- and the best way, for me as a management, is to improve performance. And that's what our right now focus is. And I think everything else will fall in place. And I'm really thankful to you or other shareholders who have been patient shareholders with us. We really appreciate you and we'll do everything what we can to see that you guys get necessary benefits coming out of company's growth.

Moderator: We have our next question from the line of Sanjay Kohli from Goldstone Capital.

Sanjay Kohli: And firstly, great work. Please continue with the good work. Company, it seems, is going -- growing from strength to strength, and we appreciate all the good work that management is doing. I have a quick question on the aging of the receivables. So what portion of it is not due as on the balance sheet date? And the second is more like a comment and sort of concern with our partner, Rivulis, they are in this -- headquartered in the Kibbutz of Northern Israel. So I hope everyone, all our partners are well and how they are. You must be monitoring the situation also on a day-to-day basis, so...

Anil Jain: I'm sorry, I couldn't hear your first question. Second question...

Sanjay Kohli: So first question is that on the receivables on the balance sheet date, there will be a portion of it which is not due. I just wanted that -- if you can give a number on that. Receivables not -- billed but not due. Basically, on current sales, the credit period which we've given out but they are not due, receivables.

Anil Jain: See that in case of receivables, a lot of receivables in the government especially, let's say in the project because those are milestone payments. So when you are invoicing, the receivables get created in the books, right? Once you invite, you pay GST and so on. But they will become due only when actual work in the field takes place, right? Post monsoon, whatever work needs to be done, whether they have to put underground, you need to build a pumping station whatever happens. Then only they become due. And that process of actually doing things in the field could be six months.

So there are receivables which are not due at least for some period which are linked to the government and the project. The second part is in terms of our dealers or institutions, the receivables will become due. Let's say, institutions for us, example, if I'm supplying polyethylene pipe to contractors, then it would fall due after 90 days, right? Or they might give us a letter of credit but it will fall due after 90 days. So there are those type of receivables.

And then there are some which are linked to the government business, which is not projects where the government give subsidy to the farmers or whatever else. And then that process takes some time before you can get it.

Sanjay Kohli: So sir, if you can just get a sense of -- so the bulk of the receivables would be not due?

Anil Jain: Yes. So that's what I'm saying. Good part of our business now, the retail business which talk off to the farmers. If you're billing and you're seeking them payment either in advance or against the delivery, right? So as soon as you get paid, it is no more a receivable. So what is receivable in the books is something which is going to come into the future. So most of the receivables you see in the books have not fallen due. What is fallen due, you would automatically get it if you already have on the books on the balance sheet date.

Second question, on the Rivulis side, with God's grace not a single person of our company, which is there, has been hurt during ongoing violence and war there. And the plants in the certain area where our manufacturing plants are there, there has no -- not been any direct impact of either missiles or any of that stuff. So our people are safe and plants are functioning. But of course, there are limitations and there are sirens and things like that happen. It's an active place where it is happening.

But overall, considering the whole situation, things are still -- has been quite good from day one. And there is a professional management, which is there, which is looking after this. We are on the Board of the company, and we get constant updates on where things are. And as of now, things are under control.

Moderator: We have our next question from the line of Chirag Shah from White Pine.

Chirag Shah: Sir, just a clarification on the earlier question, actually, I had on receivables. So ex of this project or ag receivables, what is the normalized receivable cycle for the two businesses or the way you look at the businesses? If you can -- so generally, what is the normal -- or net working capital cycle not receivables, the net working capital cycle ex of the ag businesses, ag receivables or that we have?

Anil Jain: So very typically, right, the retail business, what we call, normalized receivables should be at 30 days, sometimes maybe 40, 45 days. The institutional business we have where we sell to the contractors or companies like L&T or other infrastructure companies and so on, those receivables are typically 90 days.

In some states, we have to drip irrigation business where we are supplying to the farmer, but the orders are placed by the government because finance mechanism is controlled by the government. There, the receivables are typically nine months plus -- somewhere between nine months and 12 months. And the project receivables are -- they have been legacy receivables. As we complete between now and March '25, that will get over.

So -- in that context, right now, about 55%, 60% of business is on a much lower level of receivables. And some of these project as well as the government business is actually majority of the outstanding we have under the receivable. And that's how it is. So real cycle, and today, as I said, this business is 50%, 60%. But over next two years, three years as the project business totally goes down and this business becomes 80%, you will see the receivable levels are significantly down from the current levels what...

Chirag Shah: And sir, net working capital, so inventory and payables would stay where they are, that is -- so there is not much of...

Anil Jain: We already covered that in earlier question, but I think inventory would more or less stay where it is, but payable should improve as company's credibility in market -- so NWC will improve by reduction in AR and by improvement in AP.

Moderator: We have our next question from the line of Karthi from Suyash Advisors.

Karthi: A couple of questions. Let me line them up. So I don't get cut. One is in terms of your very rapid retail sales. How are you able to monitor and ensure that the channel is not getting stuck and that the momentum is on the secondary sales side also equally good? That is one.

Second is a clarification, sir, you talked about typically first half being about 1/3 of EBITDA. If I do basic arithmetic that would translate to INR500 crores this year. Are you saying that this year, you are being conservative? Are this 1/3, 2/3 will still work?

Anil Jain: No, 1/3, 2/3 has been historical, if you really go back in the year. As of now, I think we are more closer. Overall, you see the level of improvement in EBITDA compared to the earlier period. So now we are getting more closer to the revenue model, which is 40%-60% which is there. So I don't think this year -- as I said, we spoke about some EBITDA numbers. The range is INR900 crores to INR1,000 crores, somewhere maybe in between. That's where we are looking at. That is something we feel -- we trust that numbers we can definitely deliver.

In terms of the monitoring, the retail sales, I think it goes back to the policies which we have and interactions which we have with the dealers. So we are spending a lot of time with our dealer network. And they are getting more enthused and as a result, you see more and more orders coming and without requiring us to actually keep any outstandings with these guys.

It's more they are looking for. Keep enough inventory so that we can deliver to the farmer in 24 hours or 48 hours. Because our brand is so strong, if Jain is available, farmer does not want to buy any other brand. But then my dealers must stock. And for that, we are working with the dealers, whether dealers can get some financing, so that they can improve their stocking without any recourse to the company. So those things we are working on. It's work in progress. But directionally, I think it is moving quite well.

Moderator: We have our next question from the line of Madhur Rathi from Counter Cyclical Investments.

Madhur Rathi: Sir, out of the INR2,000 crores order book that we have currently, sir, what portion is with the government and remaining what will be the time line the remaining order book?

Anil Jain: I think most of the order book which we have, if you look at stand-alone India business, it's about INR800 crores. And if you look at consol, it is about INR2,000 crores. So as you know, our food business works with a lot of contracts in hand. That's why you see in consol business, orders are quite high. Majority of the dealer business does not work with advanced orders because dealer places order, gets week supply and week and next week he will place some other orders. So we have hardly about 10, 15 days of retail sales as orders in hand.

So most of the stand-alone order book position, which is on Page 29 of our Investor Presentation you see, are linked to the government which are there in India business and some institutional for the PE pipe business. In consol business, addition you see is mostly related to food whether mangoes or onion are mostly sold through annual contracts. So those are the orders in hand.

Madhur Rathi: Okay. So sir, the government business will get executed by March '25, right?

Anil Jain: March '25, yes.

Moderator: We have our next question from the line of Rikin Ramesh Gopani from Capri Global.

Riken Gopani: Sir, first question, I would like to understand a little better on this receivables monetization that are currently outstanding from the government. You said that over the next two years or by March 2025, you will be able to monetize bulk of it. If you could outline one, what is the size of such receivables that you expect to receive?

Second, what is the kind of investment or what activity does it require to be done from your end for this to sort of reach closure? And what will be the trajectory? Will it sort of mean every quarter you will receive X amount? If you could explain that a little better, it would be helpful.

Anil Jain: It could be lumpy. It will not be quarterly. Depends, as I said, on the milestones and the project gets completed, when the government does inspection of the completion which has been done, and then they release the funds and so on. And that's also a process. So majority of this is going to be rare ended as we get closer to March '25. But some will come, as I said, March '24 already and before September '24, etcetera.

In terms of what we need to do, it's -- we don't have to invest new capex, but it is more working capital. We need to buy some stuff, which is, let's say, we are outsourcing. We need to spend money on the labor, etcetera, digging, trenching, things which we do and also produce and supply our own material, pipes, fittings, all or what goes into the project. So that's an investment into working capital and investment into labor, which we need to do to get the milestones completed and then do the process of follow-up with the government, documentation measurement, analysis, testing and so on.

In terms of the total amount you asked, I think the project-related receivables are approximately around INR900 crores. And hopefully, as I said, between majority of those -- significant majority of those should be done between now and March '25.

Riken Gopani: Got it. The second and last question is to get some clarity and views on your plans with regards to Rivulis, if you could share some insights in terms of how they are doing and what's the kind of trajectory in terms of top line or EBITDA that they could have in the next one year or two years? And if at all, there are any plans of monetization here, if you could outline that?

Anil Jain: I think we just closed the transaction in March, right, six months ago. And -- so there is no question of any monetization at this stage or at this early stage. In terms of their business, this has been a challenging time, last few quarters. One has been this whole war in Israel, etcetera. On other hand, generally speaking, high inflationary environment, high interest and high fertilizer costs to the global large farmers who are their customers. That means the business has been slow or the growth has been challenged.

But overall combined company between what we were doing and what they were doing, combined company has very good product lines that has gone through the merger. And merger with about -- I think there were about 37 manufacturing sites, and we are closing some down, etcetera. And there are about 3,500, 4,000 people. Some of them have left, some of them are continuing.

So we have gone through a massive merger plus these changes in the environment, apart from what happened in Israel specifically. So -- but next year, and that company works to calendar year, they are looking at a strong '24 and even current quarter, October to December, I think they're expecting to be a good strong quarter. So last two quarters have been challenging because of the various reasons and the fact that we just came out of a merger.

But things have been smoothened out. And our -- we continued with this investment. And as we structured this transaction, it helped us to reduce our debt by INR3,500 crores, as you know. But based on a medium- to long-term view, we took about the overall global irrigation business and the opportunity.

And there is no change in medium to long-term positive view which we took when the decision was taken in this March. While in the short term, they have faced some challenges. But that is I think, for the entire industry. There's another listed company in this space globally, and the results are also similar. So -- but current quarter, October to December, they are looking very positive.

Moderator: We have our next question from the line of Ankit Bansal from AV Investments.

Ankit Bansal: Sir, my just follow-up question is that, are the -- can shareholder think that, Jain Irrigation will not repeat this kind of loopholes that been -- that the company had done in the past, like this restructuring. Can we trust them wholly, fully? Because as an investor, we are invested in the company for a long period. We want returns. Can you please assure us?

Anil Jain: I can definitely say, in terms of assurance is that businesses go through ups and downs. The reason we suffered was because of a large exposure to the government-linked project. Now that was also at a given point of time, the strategy which we took, right, of dealing with the government and so on, it seemed the right strategy at that point of time, but we have learned our lesson.

So going forward, right, because we are more focused on retail business. We are more focused on lower working capital cycle. We are more focused on staying within the current business line and improving our earnings. We are also focused on continuous deleveraging. I think all of this together would mean that the shareholders and other stakeholders as well should get fully rewarded for their faith into the company.

We, as management, in this entire process of the last four years or five years, we've gone through a very difficult period of time. Our people working inside the company, all associates, they went through difficult times. Shareholders suffered. Everybody else suffered. But all that was due to some genuine business mistakes, which were made and where we could not control environment, like the government body they don't pay, you can't charge them interest and so on. We have learned those lessons.

And now with more focus on cash and carry business, those problems which will never come back. But overall, as a management, I'm in business since 1996. Personally, my father started this in 1963. Jain Irrigation listed company was started in '86, and we got listed in 1988. We have always been very transparent, very open about what we do, how we do, and we are very much focused on creating business for medium to long term and to ensure everybody does get benefited by our activities in the business.

We have no other agenda. And the company suffered that is true, but it was not due to any loophole or due to anything else, except the large exposure to the government where things didn't work out. And that's a lesson learned for life. So that we won't repeat. That I can definitely assure you.

Moderator: We'll take our last question from the line of Kalidas, an individual investor.

Kalidas: Yes. This was something like my follow-up question to my earlier question. So why not we do like branding? I mean, do some marketing because they are set like we don't spend -- we are not interested in spending on marketing, but why not at least spend some things because even IT companies spend the budget on marketing. So why not, sir?

Anil Jain: No, we do spend money on marketing. It is not that we are not. But that you don't see. Our marketing goes to focus on customers who are farmers. So we do all printings in villages, for example, or behind the buses, etcetera. We are giving more discounts to the dealers. There are lots of schemes we run so that the farmers do get enthused and inspired to invest and buying our technology product.

So that way, we do, do marketing spend, but it is not done in urban areas. It is not done visible through a lot of TVCs. That's not where our customers are. We are focused on our customers in rural areas. That's where we do spend a lot on marketing.

Kalidas: Okay. But why not? That's what, sir, TVC -- because even all the rural farmers even sit at the TV. So why not at least do some kind of -- at least initial, not a very aggressive TV commercial, at least to boost the brand because we are the largest company and -- but I don't see -- some how like if things are not felt the same way because we are somewhat like very high-level agri tech company, but the image in the market is not reflecting the same. So why not we do a TV commercial at least just to initial period just to boost that image?

Anil Jain: We'll think about it, sir. We'll think about it.

Moderator: I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Anil Jain: Thank you. I think that was a very interesting conversation, very good questions. And as I said, we want to stay the course, right? We are very focused on the objectives we have and the goals we have, which is grow the business, reduce working cycle, deleverage the company and create more value for all stakeholders, especially shareholders. So that's where our focus is.

Business is challenging. Outside environment is volatile. There's a lot of competition market. So that means a lot of hard work cut for us, the management and all the people working inside the company. But I believe into our inner strengths as a company. We have a renewed focus.

And in market to the farmers, the customers are really loving the fact that Jain is able to provide products quickly because our quality was always known, and that feedback mechanism with the farmers and the dealers is really doing wonders and allowing us to post these kind of results. So we'll stay focused on that, and we look forward to your continued support and wishing everybody happy Deepavali and happy festivities. Thank you, again.

Moderator: Thank you, sir. On behalf of Jain Irrigation Systems Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.