

**Date:** 9<sup>th</sup> February, 2024

**To,**  
**The General Manager,**  
**National Stock Exchange of India Limited**  
Exchange Plaza, C-I Block G,  
Bandra Kurla Complex, Bandra (East),  
Mumbai 400051.  
**NSE Symbol: MAHEPC**

**To,**  
**The General Manager,**  
**BSE Limited,**  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Fort,  
Mumbai- 400 001.  
**BSE Scrip Code: 523754**

**Subject: Submission under Regulation 30 and 46 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 read along with SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2021. - Transcript of Investors' Call.**

Dear Sir/ Madam,

With reference to our letter dated 30<sup>th</sup> January, 2024 and pursuant to Regulation 30 and 46 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read along with SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2021, please find enclosed the Transcript of the Investors' call held with the Investors/Analysts on 5<sup>th</sup> February, 2024 to discuss the performance of the Company for the third quarter and nine months ended 31<sup>st</sup> December, 2023.

You are requested to take the above information on record.

Thanking you.

Yours faithfully,

For **Mahindra EPC Irrigation Limited**



Ratnakar Nawghare  
Company Secretary and Compliance Officer  
Membership No.: A8458



“Mahindra EPC Irrigation Limited Q3 Unaudited  
Standalone & Consolidated Financial Results  
Conference Call”

**February 05, 2024**



**MANAGEMENT: MR. RAMESH RAMACHANDRAN – MANAGING  
DIRECTOR**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Mahindra EPC Irrigation Limited Q3 Unaudited Standalone and Consolidated Financial Results Conference Call.

As a reminder, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal the operator by pressing '\*' and then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ramesh Ramachandran – Managing Director of the Company. Thank you, and over to you, sir.

**Ramesh Ramachandran:** Thank you, Dorwin. A very good afternoon, ladies and gentlemen, and a warm welcome to all of you at the 10th Investor Call from Mahindra EPC Irrigation Limited. On behalf of Mahindra EPC, I would like to sincerely thank each one of you for joining this call.

Today, as is customary, I will be sharing with you the “Key Developments in the Business Environment, in the Micro-Irrigation Industry, your Company's Performance and the Industry Outlook” for the rest of the year.

But since this is the first time we are meeting before we start the business session, I would like to give you a quick background about myself. I joined Mahindra & Mahindra in 2015 and I have been in the Farm Equipment Sector, also called FES, prior to my current role as MD of Mahindra EPC.

As part of Mahindra FES, I first headed the strategy function and worked closely with the business President to make the farm equipment business more diversified in terms of product, more globalized in terms of geography and more digitized in terms of capabilities and solutions.

In addition to my strategy role, I headed the precision farming vertical and worked closely with farming startups in India and across the world, including serving on the boards of three such startups, one in Canada, one in Switzerland and one in India.

Subsequently, I incubated an internal startup within FES called Krish-e with a mandate to create and commercialize value added services for farmers that go beyond the core tractor business. That in fact led to the creation and commercialization of services such as Takneek plots, Krish-e apps and IoT enabled Krish-e Smart Kits for farmers, all of which are operating at scale within FES.

As a result of this, I worked very closely at the grassroots level with farmers, with dealers, with multiple stakeholders across the country and this experience I have thoroughly enjoyed. I have also been part of several CII and FICCI committees as a national level member along the way.

Prior to joining M&M, I worked for Unilever in the European foods business for several years in marketing leadership positions and subsequently, I worked for a boutique strategy consultancy

in London, helping FTSE 100 and Fortune 500 companies grow their businesses through innovative value propositions and differentiated business models.

As you can probably tell, I am passionate about the farming industry and very enthusiastic about my new role as MD of Mahindra EPC and I very much look forward to driving long-term growth and margins for your Company. Thank you.

**Moving on now to the business session, let me start with an overview of the micro-irrigation industry in India:**

As per FICCI, the median growth forecast for agriculture and allied activities is projected to be 2.7% for the year 2023-24, which is on top of 3.3% growth in the previous year. The El Nino effect has had an impact on the spatial distribution of rainfall this monsoon season, but even with this, the agriculture sector will remain a major contributor to overall GDP.

As we know, the most critical resource for agriculture is water. The agriculture sector accounts for 70% of fresh water withdrawals as per World Resources Institute, whereas as per Central Water Commission in India, the figure rises to a whopping 80% for the agriculture sector, with just 7% for industries and power generation, 6% for domestic use, and 7% for other use.

Further, the water requirement by 2050 shall be 1,180 billion cubic meters BCM whereas the total availability of water in the country from all available sources is going to be lower than this projected demand at 1,123 BCM. That means we are staring at a shortage of approximately 57 billion cubic meters in 2050.

Thus the growth of the Indian economy in general and agriculture specifically will remain a challenge without micro-irrigation. Micro-irrigation addresses issues such as water use efficiency, productivity improvement and farmers' income, which aligns very well with the Honorable Prime Minister's vision for doubling farmer income.

Over the last few decades, continued irrigation through traditional practices has begun to show its ill effects on groundwater quality, groundwater availability, soil health, crop productivity and the cost economics of farm practices. This calls for surface water use efficiency improvement as well, which is incomplete without on-farm water management and this makes micro-irrigation critical, which currently has only about 15% penetration out of the 70 Million-hectare potential. Lots of upside.

Recognizing the importance of micro-irrigation and its ability to improve productivity, the Government of India identifies micro-irrigation as a key tool to double farmer income. Though this is very encouraging, the funding from state governments is equally important. As a major part of the subsidy is controlled by the state, various critical aspects of the scheme such as pricing decisions are taken by state governments and the Government of India issues guidelines and defines boundary conditions such as unit cost norms.

**Let me now move on to Mahindra EPC:**

Coming to Mahindra EPC now, Mahindra EPC Irrigation Limited, as you know, is one of the pioneers of micro-irrigation in India. Mahindra EPC is a part of the Mahindra agriculture business and carries the legacy of the highly respected and diverse Mahindra group.

In a recent internal change, the micro-irrigation business has moved under the Farm Equipment Sector of Mahindra & Mahindra Limited to have better support through various synergies. And having worked in the Farm Equipment Sector myself, I see various front and back-end opportunities we can explore. Since 1986, Mahindra EPC has been enabling farmers to rise through sustainable precision farming solutions in the space of micro-irrigation, water management, automation and community irrigation.

We believe the farmers are one of the most vulnerable communities of our society and we work with this community to demonstrate the practical and achievable benefits of these techniques. We work for driving positive change in the lives of our community and we believe that only when we enable others to *Rise*, will we *Rise*.

As you know, Sustainability is one of the world's biggest challenges and themes today and it is also an industry in itself. At Mahindra EPC, we understand how important micro-irrigation is in order to make Indian agriculture more sustainable.

Now this obviously is not an overnight change, and it will take some time and must sustain an extensive demonstration, training and awareness program to bring Indian farming abreast with micro-irrigation practices across the world. We have always focused, as Mahindra EPC, on customer satisfaction and we have always strived to provide the latest technology in water management for various agriculture applications.

**Let me move on to a micro-irrigation industry view. Let me start by sharing some specific details regarding the developments in the micro-irrigation industry:**

As many of you know, the last couple of years have been dampening for the industry. If we look at recent years, the industry showed around 11 to 12% compounded annual growth rate for FY' 17 to FY' 20 which dropped to 4.6% for FY' 17 to FY' 23. All this growth data is basis the hectareage covered by the industry as per the official website.

This was on account of delayed fund disbursements, the COVID effect, changes in priorities of a couple of key states and various other reasons. But now, we can see a bit of enabling environment with prices improved, raw material prices stabilized and key states contributing. Riding on this, the industry is likely to see a growth of around 10 to 13% for FY'24.

One more key development seen in the industry in FY '23 was, a favorable trend for new markets within the country. This could be a beginning of a long-term development of these markets.

Presently MEIL has a low presence in such markets, example Rajasthan, UP and the eastern states.

As per industry coverage data published for FY'23, in the MEIL represented states, the industry declined by 7% whereas in the other states the industry grew by 50% and that industry amounts to some 35% of the total industry at national level. This no doubt has led to MEIL initiating strengthening activities in states in the north and the east such as UP, Rajasthan, West Bengal and Bihar.

Presently, the positives that we see in the industry are stable raw material prices, some states like Gujarat pushing for growth and making good use of Atal Bhujal Yojana, some states like Karnataka getting active from December onwards, Tamil Nadu issuing work orders at a regular pace and the industry in states as I mentioned, UP and Rajasthan showing a positive trend.

But just as we see the positives, we also anticipate some challenges, challenges on account of some states not releasing or delaying their subsidy payments, operational issues in various states as they get into a routine with new central nodal agency, prices of Brent crude which after a fair stint below the USD80 range has started climbing up and also the likely enforcement of the model Code of Conduct in March with the General Elections in 2024 around the corner.

While all this is happening, the Government of India is also likely to look at improving the use efficiency of surface water and thus it may come up with projects on developing clusters, pressurized pipe systems for water conveyance etc. This may indeed open opportunities for irrigation projects subject to viability in the future.

**After briefly understanding the industry, let me now come to the MEIL performance:**

In the FY'24, the Company saw positive movement in revenue as well as PBT. This was the result of work done on identified strategic levers, larger industry markets such as Andhra Pradesh getting active and revival of operations in Tamil Nadu besides the support of external positive factors I mentioned before, such as the softer raw material prices and price revisions received in FY'23.

The Company also faced challenges on account of delayed disbursement in certain states, on account of fund availability at their end, changing priorities of the state and procedural delays on account of the shift of the PDMC (Per Drop More Crop), the micro-irrigation project of Government of India to new nodal agency.

Learning from previous industry trends, the Company decided to strengthen its presence in markets such as UP, Rajasthan and Bihar where we were present in the open market. This quarter onwards, we have started operating in the subsidy market of these states as well. The Company has just entered the state of West Bengal where we feel there could be a good future.

Some of the strategic levers mentioned in prior conversations include improving the non-subsidy business. To report, two parts of the non-subsidy business, thin wall revenue has improved by 52.7% over the previous quarter and 11% YTD December. Also, open market non-subsidy business has improved by 14.6% over Q3 F '23 and 13.1% YTD December.

During this period, we have executed an export order for the supply of micro-irrigation as well as automation material for a 2,000-hectare project. I am happy to inform you that this is a repeat order.

As we have been informing you, we focus on multiple small projects, which are manageable and avoid a big impact on working capital. The consistent efforts in this area of operation have helped increase the revenue from such irrigation projects. Irrigation projects revenue improved by 74.6% over Q3 F '23 and 36% YTD December. The Company is consistently building a strong pipeline for such irrigation projects.

Overall, contribution of all these non-subsidy activities has resulted in an increase of the non-subsidy revenue to 24.2% for YTD December FY '24, whereas it only had a share of 2% of the total revenue in FY '20.

It has always been our endeavor to improve our product mix towards drip irrigation systems. We have been able to improve this product mix by around 4% for the period YTD December FY'24 compared to the same period last year.

As regards the challenges, the slow pace of collections in various markets have impacted the cash. However, debtor days are retained below previous year same quarter as well as previous year March level.

**We now come to the “Financial Performance” of the Company for Q3 '24:**

In Q3 '24, the top line grew by 22% versus the same period the previous year. This was on account of increase in non-subsidy sales, improved revenue from Gujarat, Tamil Nadu, Andhra Pradesh and Karnataka as well as exports. The unseasonal rains and hailstorms towards November end and early December combined with delayed subsidy disbursements led to a decline in Maharashtra revenue in the peak season period.

**From Profit Perspective:**

For Q3 F '24, the contribution went up by 8.4%, riding on favorable material cost. The reduction in the material cost was an outcome of softer raw material prices but also better negotiations and strategic buying including imports as well as an improved product mix and improved state mix.

The variable costs saw an increase on account of Commissions and freight as the revenue contribution from project markets increased to 49.4% versus 37.7% of Q3 F '23. Further, the site variable expenses went up on account of higher business from irrigation projects.

The fixed expenses variance versus Q3 of last year represents expenses related to improved revenue such as C&F charges, sales and promotional travel. The cash flow for the quarter was positive.

**Coming to the “Financial Performance” YTD December FY '24:**

The YTD performance shows a top line growth of 37.2% versus the same period previous year. Profit wise, the contribution has gone up by 9.2% riding on favorable material cost. The reduction in material cost was an outcome of softer raw material prices as I mentioned before, also better negotiations and strategic buying including imports and finally the impact of product mix improvement as well as segment mix change.

The increase in variable cost at YTD level is on account of commissions and freight due to the increased contribution from project markets which were 52% versus 41% of Q3 F '23 and this has been compensated by lower site Installation expenses and reduction in other variable cost on account of improved efficiency.

The fixed expenses variance versus the previous year represents primarily employee benefits expenses on account of annual increment as well as expenses related to improved revenue such as C&F, sales promotion, travel and other professional fees.

What is our outlook for Q4 F '24 from an industry perspective? The industry has shown growth so far in this financial year but as all of you know, the General Election Model Code of Conduct is likely to be declared sometime soon, maybe in March. It is difficult to predict its effect on the subsidy business. Still, in all fair estimates, the industry may achieve its Q4 F '23 levels.

Before I close, I want to share some early reflections on growing your Company after my first few months of being in this business. We believe it is important for us to drive good quality growth, which means growth that comes with prudent commercial policies and more diversified cash flows.

On the one hand, we want to recalibrate the business, as we have said before, towards lesser dependence on subsidy, while at the same time keeping pace with the subsidy industry by widening our national presence accompanied with tighter commercial policies.

Hence, going forward, I would like to share with you four growth levers that we will be working on over the next few months:

1. Growth in the north and east of India for subsidy business in line with our commercial policies as well as our assessment of the business concentration risks.
2. Focus on non-subsidy segments including institutions, open market, FPOs, exports and irrigation projects. Looking at the non-subsidy segment in this way throws open



many new opportunities which today remain unexplored and so we anticipate expansion in this area.

3. Leveraging benefits from the M&M Group. I come from the tractor business and there are synergies that I can see from the front and back end which can benefit your Company.
4. Digitization. Precision irrigation solutions are getting more adopted in other parts of the world and as a team, we believe there is a good opportunity for your Company to create a differentiated India first solution. We will also look at how to use digitization to increase efficiency.

**So, in closing:**

As always, MEIL will continue its effort to deliver a better than industry performance through its focus on revenue improvement through sharper spread and penetration strategies, optimizing the state mix, optimizing the product mix, exploring and strengthening non-subsidy avenues and bringing constant value adds to our offering.

Thank you and back to you, Dorwin, to start the question-and-answer session.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Akshat Bhardwaj, an individual investor. Please go ahead.

**Akshat Bhardwaj:**

So, I have three questions. The first one is related to margins. So, I have seen in the past year that the margins have not been made and it was said that it was majorly due to the raw material pricing. So, what is our outlook on the margins profile going forward because according to me these kinds of margins are not sustainable for the business? Second is, we are saying that we are trying to grow in the north and east of India for the subsidy business. How much are we there? Like, what percentage of revenue do we have from these areas? And what are our expectations of growth in these areas?

**Ramesh Ramachandran:**

Thank you for your question. Very pertinent question. So, let me start with the first one, which is around the margins. Let me just start by saying that like all the businesses that we have within the Mahindra & Mahindra group, we are extremely focused on both growth and margins in the long term.

Now can the Company revert to earlier levels of margin? Not immediately but yes, we will move towards that. We know that the industry itself has seen some strong headwinds in the recent past, but there are signs now that the external environment is getting more favorable.

Now going forward, we are looking very much at a more prudent business approach. What does that mean? It means recalibrating the business towards finding the right balance between subsidy and non-subsidy business. So, less dependence on subsidy while at the same time keeping pace with the subsidy industry using our tighter commercial policies.

Now this resetting, we believe, is critical because it is about giving returns over time and in my opinion, this resetting will lead to sustainable long-term growth both in terms of volume as well as margin. It will also create a business that is more resilient in the long term to the industry business cycle.

As your Company's volumes catch up to the previous highs, we will see higher realization and we will continue to manage our costs very carefully. So, while some of the costs have gone up most of these have been compensated to some extent by efficiency-improving measures. As an example, employee costs this year will be in the range of employee costs we had in FY '20 despite increments to the team over the last few years and this is a result of internal restructuring. So, overall, this is about going back towards the earlier margins that we had through recalibration of the Business.

**Akshat Bhardwaj:** Just a follow-up question on this. Just if you can give some numbers on this, for example, what can we expect the raw materials prices? What can we expect the product prices? Like, how will the product prices improve? what is the timeline we expect of the new calibration that you are doing? One year, two years or more than that? Can you just give us some numbers on that?

**Ramesh Ramachandran:** So, broadly on raw material prices, we can't make predictions for too far into the future, but for us the on Raw material next financial year will look similar to this financial year and additionally, in terms of your other question of timing, it is too early to tell. We don't as per the past practice make RM price projections and we don't really make projections in terms of either top line or bottom line.

Your question on the north and the east, I would say that the background is that we got into these states because we believe that there is a way in which we can grow in a prudent manner by being in the subsidy market. The idea is to build volumes through a steady sustainable approach in these states, which is a cluster approach, and as we get to understand the business nuances in these states, we will accelerate, and it is early days for us. So, please give us some time and we will come back to you with a sort of longer-term view about our prospects in these states.

**Moderator:** Thank you. The next question is from the line of Jigar Shroff, an individual investor. Please go ahead.

**Jigar Shroff:** Thank you for taking my question, Mr. Ramachandran, and first of all, congratulations and wishing you all the best on taking, being in charge of the Company, sir. And on the outset, sir, been a long-term retail shareholder since the last about 10 years, since about 2013-14 and I have a couple of questions. So, you mentioned MIS penetration in India is about 15%, right, sir?

**Ramesh Ramachandran:** Yes.

**Jigar Shroff:** I just wanted to understand globally, what is the norm? I mean, what is the global penetration, just to understand the size of opportunities? That's my first question. And sir, FY '20, we had a

turnover of 284 crores and EBITDA about 14%. I understand there was COVID in between and some states had become slow and had changed their approach towards this sector and things are gradually getting back to normal. But when do you expect, sir, to reach those levels of 12-14% in the next 2-3 years?

Secondly sir, any updates? I mean, what is the future of the greenhouse joint venture? And sir, I mean, this existing capacity, sir, do we have enough capacity? I mean, if the industry grows that we can reach a turnover of say about 500 crores in about 3-4 years' time, sir. These are my questions, sir.

**Ramesh Ramachandran:** So, let me start in that order. So, from a global market penetration of micro-irrigation, it is much higher than India. Let me come back to you, Jigar, with what the exact number is. What we do know is that in India, when we look at other industries which were at a similar point in their inflection and if I think of the farm equipment business and I think of some of the implements which were recently at that type of penetration, once a critical mass is reached, a lot of opportunity is unlocked.

So, what is important for us right now is what is the upside in India. Yes, globally in developed countries it is much higher. That I know. How much exactly it is, we can come back to you on, but the point for us is that in India, it is still only 15%. I mean, I know that in Israel, for instance, it is 90% plus. Now can India become Israel anytime soon is an open question, but the fact is that in India, we are still only 15%.

So, as an industry it is very, very well poised for industry level growth that combined with the fact that there are so many external pressures coming from climate change. The next question is on margin.

**Jigar Shroff:** So, is it safe to say that, I mean, without exactly you having the globally MIS penetration percentage that this kind of 15% can go to 40-50% over the next 10 years or so?

**Ramesh Ramachandran:** That would be my belief. Now, you know, is it 10 years, 15-16 years? I don't know, but I would imagine that it needs to go to that higher level of penetration because the country needs to be more efficient with its water usage and it becomes a consequence of some very important external impacts. In India it is not only the ground water efficiency that is required but also surface water. So, if surface water also gets into the picture fully, the opportunity increases even more.

Just moving on to your question on margins, like I said earlier, it is important for us to drive good quality growth. Now what we mean by that is growth that comes with characteristics that enable better working capital management, greater flexibility in pricing, more predictability. So, this really relates to how we want to structure our business and rebalance, recalibrate between our subsidy business and our non-subsidy business.

Now this is not an overnight journey. It is a very important journey for us. But what I would say is that the way to think of this business as a business that is balanced in the different revenue streams that it has. And so, there is no simple answer to when we will see the margins go back to the original levels. What I will say is that there is a prudent business approach that we have right now and this will definitely set us on the path to improving our margins and going back to older, higher levels of margins in the time to come.

And sorry, the last question was on greenhouses. So, our initial experiments in this have been mixed. We are continuing to focus on the non-subsidy affordable solutions as part of which we have developed this 100 to 400 square meter net house solutions, which are both for regular requirements as well as nursery requirements.

In a market that is very subsidy driven, we have not found it easy to sell this concept. But we have gone back to the drawing board and now we have some proven concept that we believe can give a sustained income to the farmer. So, quite soon we are going to come up with a go-to-market strategy for this new product.

**Jigar Shroff:**

And sir, if I may ask, what is the reason for this huge increase in other expenses, sir, in this quarter, from Rs. 17 odd crores Y-o-Y to about 24, 25 crores?

**Ramesh Ramachandran:**

So, like I mentioned, it is a combination of both the fixed expenses as well as the variable expenses. And on the fixed expenses, it is the increase in the employee costs, the increments with the employees. And also, a large part of it is just the increase which is in proportion to our revenue such as C&F, such as sales promotion, travel, professional fees and also some impact of our tighter commercial policies and so how we recognize Expected credit losses. We have as part of our tighter commercial policies and prudent approach looked at recognizing some Expected credit losses.

**Jigar Shroff:**

So, when do you expect, sir? I mean, you think from FY25 onwards, sir, I mean we should see a gradual improvement, sir, in the top line with all these measures, top line and gradually, because at the moment, the margins are barely 5%, gradually going up to 7, 8, 10% over the next 2-3 years, sir, would you say with all these measures that we are talking of?

**Ramesh Ramachandran:**

Yes, so see we are positive. I mean, you probably sense that we are positive about the future and that comes from both external factors as well as internal factors. The external factors are that the environment seems to be moving towards becoming more favorable.

The internal factors are that we are in the process of recalibrating our business to make the cash flows more predictable. And this is not, like I said, something that is overnight. It is going to take time. It is too early for us to put a date to it, but we do know, we are confident that a combination of the external factors as well as the strategy that we are undertaking puts us on the right path.

- Jigar Shroff:** Sir, is exports a thrust area, sir? I mean, what would be the exports? I mean at this turnover of for 9 months the 190 crores, how much would be exports, sir?
- Ramesh Ramachandran:** About 7 crores is exports and it is an area that we will be looking at. So, like I highlighted in my growth levers, it is an important part of the non-subsidy space, and it is an area that we are looking at. It is one of the areas that potentially the synergy with the tractor business offers and so more on that as we build a more detailed plan on it.
- Jigar Shroff:** And the margins are better, sir, in the export business?
- Ramesh Ramachandran:** They are comparable with what we earn in the core business. So, definitely not a dampener.
- Jigar Shroff:** And the project business, sir? That would also be a key focus area.
- Ramesh Ramachandran:** Yes So like we said on the irrigation project business, we have a certain approach which we don't intend to change and that is to go after projects which are small, medium-sized projects. And with our tighter commercial policy, we will be very, very careful about which ones we sign up for and which ones we don't.
- Jigar Shroff:** Can you explain a bit, sir, about what is the nature of this project business or what exactly are these projects?
- Ramesh Ramachandran:** When you say projects, do you mean the irrigation project business or the general work order business?
- Jigar Shroff:** I mean both, sir.
- Ramesh Ramachandran:** Both, Yes. So, the irrigation project business, as you know, is a smaller community irrigation project.
- Jigar Shroff:** It would be like the work order projects. It would be like building canals and...
- Ramesh Ramachandran:** No, no, that is not part of this.
- Jigar Shroff:** What would be the nature of work, sir? I just wanted to understand.
- Ramesh Ramachandran:** The nature of work in community irrigation projects is in the space of water from the canal to the field. So, it is more about the last mile management.
- Jigar Shroff:** I see. And the other project you said?
- Ramesh Ramachandran:** Sorry, what's that again?
- Jigar Shroff:** There are two projects, two divisions. The other is?

**Ramesh Ramachandran:** The other is as per the government subsidy program, where we have work orders that we supply directly to the farmer's farm through our dealers.

**Jigar Shroff:** So, what would be this, I mean, the nature of these projects?

**Ramesh Ramachandran:** See, that's a very different business. That's what we mean by pure subsidy business, where there is a government subsidy, the price is fixed and therefore there is no flexibility when the raw material price changes. There is a working capital cycle which is unique to that business because it depends on how the government releases subsidies, and how we get paid. But at the same time, it is a large space, and it is a very important space for our business, and it will continue to be an important segment for our business.

**Jigar Shroff:** So, this project will also be supplying drip irrigation systems for this government subsidy program?

**Ramesh Ramachandran:** That's right. It's very much about supplying drip irrigation systems.

**Jigar Shroff:** So, we want to focus on the other one, the irrigation project, which is non-subsidy related, right?

**Ramesh Ramachandran:** That will be a part of the non-subsidy business and it won't be the only segment. It is one part, but the non-subsidy business has many other segments like I mentioned. The non-subsidy segment also includes exports. It also includes the open market. It also includes institutions. It's a very interesting space for us to look at more realistically, which is what we are going to do.

**Jigar Shroff:** So, I mean, just a hypothetical question. So, after the elections, if demand really shoots up, we have enough capacity, right? The capacity is never going to be a constraint.

**Ramesh Ramachandran:** Yes. So, Jigar, you had asked a question about capacity. So, I am going to answer that and then I will have to move on. So, Yes, just in terms of your question on capacity, just to comfort you, we are well positioned in terms of capacity to cater to a big growth in our business and any big growth that the industry opportunity offers.

**Moderator:** Thank you. The next question is from the line of Rajen Shah, an individual investor. Please go ahead.

**Rajen Shah:** First of all, thanks for the opening remarks. They were very informative. Sir, I had two questions actually. I have been a shareholder for a very long time. But before those questions, I would like to just ask that in this quarter, the quarter which ended on December '23 quarter, our raw material cost is 50% of sales and our other expense is 30% of sales. So, for the fourth quarter, do you expect this to remain at the same level, 50% of sales, raw material cost and other expense at 30%? And can we expect the same for FY '25 as well? Can I get some idea on that?

**Ramesh Ramachandran:** So, I can tell you about the raw material prices. Like I said, for quarter four, we expect that the prices will be in line with what they have been in the rest of the year. We won't, you know, apart from being able to say that they stay range bound, be able to say much, because it's, as you know, a function of many things which are difficult to predict like the geopolitical environment. And from an expense perspective, I think that we will be in line with what we have so far.

**Rajen Shah:** So, basically for quarter 4, we can expect 50% raw material cost and 30% is other expense, and for FY '25, you are not giving any guidance, but probably if crude remains at this level of 80, probably we can end up with 50% raw material cost vis-à-vis sales? If crude remains at this level. You're comfortable with crude at \$80.

**Ramesh Ramachandran:** Yes, while I am not projecting any percentages to Q4, I will say that our expectations are that the raw material prices will be range bound with what we have seen in the rest of the year and so will our expenses.

**Rajen Shah:** Yes, but sir, are you comfortable with, is the Company comfortable with the crude at \$80?

**Ramesh Ramachandran:** Right now, it seems to be a more stable number than it has been in the recent past. So, it's a sort of conclusion that we are asking you to read as well. Right now, I think the best we can say is that it is a price that seems stable in the current circumstances for us as a business, still if it gets to F'20 Levels who doesn't want it.

**Rajen Shah:** And sir, I was just going through 2019-20 numbers before the Con-Call. That year we reported 285 crore of top line and a bottom line of about 23, 24 crores. And probably next year, assuming little growth on the current base, probably we may touch 25 or may be taking into consideration the price hikes of about 10%, 12%, logically we should touch 325 crores. Now assuming that we touch 325 crores, basically in 5 years we have not grown. 19-20 to 24-25, assuming that we touch 325 crores of top line, which includes the price hikes given by the state governments, we have not grown.

Now the Prime Minister is talking about doubling of the coverage of micro-irrigation from 10 million, I think, to 20 million in 5 years and here is the industry, when you are talking about doubling it means 15% annual growth in the industry and here is the industry which has gone nowhere, in fact zero growth for the last 5 years. So, why don't we have this mega theme, Jain Irrigation, Finolex, Mahindra EPC, other maybe prominent companies join and make a presentation to the government that here is the Prime Minister talking about doubling the area under coverage and here is the industry which has done nothing for the last 5 years, sir? So, why don't we make some, the India is booming. You can see it in the stock market. Infrastructure is booming. Everything is booming. Why is this industry stagnating? Zero growth, sir, for 5 years. We need to do something about this, sir.

We need to make some representation to the government about this. When the Prime Minister is talking about, Prime Minister moves to Lakshadweep, everybody starts, even Indian Hotels

has announced in the latest analyst meet, they said that we will set up a hotel in Lakshadweep. So, when Prime Minister is talking something, everybody follows him. So, here is this industry, we need to put it to the top people in the PMO's office and the agriculture industry about nothing happening in this irrigation industry.

**Ramesh Ramachandran:** Yes, first of all, I commend your passion as an investor. You share our passion for this topic and I would say that this is a suggestion which we will take and our CEO is represented and very vocal in the association. So, this is a suggestion we will take forward. Thank you.

**Rajen Shah:** Yes, because sir, you know, whatever the Prime Minister says, it's implemented quickly, you know, and here the Prime Minister has very clearly mentioned doubling of the acreage and the micro-irrigation, but the industry has gone nowhere. So, we need to do something about this, sir. That is one thing.

Sir, another thing which I would like to say is that Mahindra is a solid brand, sir. Even in the most remote and the rural part of the country, if I go and talk to, I have been to Gujarat interior recently, and when I talk to certain farmers over there, I traveled to almost 26 different places in Gujarat recently on my personal some work. So, I met lot of farmers and I interacted with them and you know, everybody knows Mahindra & Mahindra. There is nobody who would say that we don't know Mahindra & Mahindra brand. Now despite that, sir, such a solid brand, you know, Finolex is not known so much across the country. Jain Irrigation was in really difficult shape. They have stopped taking project business. Netafim is an outsider. Yes, they have been in this business and they have may be 20% market share, I don't know how much.

But Mahindra is a solid brand, sir. Why are we not able to, even if the market is stagnating at this level, why are we not able to get market share from others, sir? A strong player is the one who is able to, irrespective of the market growth, is able to get some market share from other players, you know, because of its product and because of its certain strength. So, we have actually in the last 5 years, we have not been able to get any more market share.

Yes, I understand industry is not growing, but then if industry is growing and we are growing, it's fine. But if industry is remaining stagnating at the current level, same level at 19, 20, but if we are growing, that means that we are taking some market. I mean Jain was in really deep trouble and yet we have not been able to capture any market share. So, this is something which we need to do. We need to grab market from other existing players because we have a strong brand and we can do it, sir. Nothing is impossible if Mahindra decides.

**Ramesh Ramachandran:** We are on the same mission here which is to grow ourselves both in terms of market share as well as to take full advantage of the prospects that this industry has going forward. I will just reiterate that, like I mentioned before, the synergy potential that we have now that we are part of the farm equipment sector with the tractor business and all its back end and front-end capabilities is something that we will be definitely looking at going forward. So, that is very



much our mission as well. So, growing market share is what makes us motivated, and we are going to use all these developments and move things forward.

**Rajen Shah:** Sir, last one, yes sir. And last suggestion, sir. Sir, now we are going into North East and West Bengal and maybe UP and Rajasthan. So, obviously our working capital needs also will go up. Our interest cost may go up. We are now getting into the project business. Also, interest cost may go up because of more projects, more work and all that. Sir why doesn't Mahindra & Mahindra come out with a preferential issue of maybe 50 lakh shares at the price of Rs. 100? You get 50 crores, no interest cost. Interest cost will not go up at all. We can deploy these 50 crores. Their holdings also will go up from 54% to 60%. Shareholders also will get confidence because last 10 years the Company has done nothing sir. The stock has gone nowhere, sir. The market has gone up to 200% from 25,000 to 72,000 after COVID but stock has not even doubled, sir. My suggestion is that we will need a lot of funds now to grow and that will put pressure on interest cost and all that on the profit and loss account. We need to come up with a preferential issue of 50 lakh shares at the price of 100 rupees, get 50 crores from the Mahindra & Mahindra Company and then use these 50 crores for expanding in this region, you know, so we don't spend, we don't incur higher debt cost. So, that is one suggestion. And with this, I would like to end, sir. Thank you so much.

**Ramesh Ramachandran:** Thank you, Rajen. Rajen, that was an interesting suggestion. Right now, I can assure you that all the growth plans that we have in mind are very possible for us to fund from within the business, but depending on any future plans that we might have and their size and scale, we can definitely look at all types of financing options, including the one that you proposed. Thank you very much. Okay. I think we have come to the end of our time. Is there any other question? We are about 15 minutes over time.

**Moderator:** Sir, we have one participant in the queue, sir.

**Ramesh Ramachandran:** Let's go for that question and then after that we can stop.

**Moderator:** The question is from Milan Shah from Urmil Research Consultancy. Please go ahead.

**Milan Shah:** Can you make a presentation after the quarter result and before the Con-Call? So, many of us can study the Company's profile and we are very confident that you can make the Company very high because we are a patient for the last 10 years. But you have a change, I am confident that your mindset is a fully improved Company.

**Ramesh Ramachandran:** Yes. Sir, we take note of your suggestion, Milan ji, and we have not done that in the past but we will take note of your suggestion.

**Milan Shah:** Sir, can you share the email address so we in future can give you maybe some questions for remaining because Con-Call is going to be expiring in some time?

**Ramesh Ramachandran:** Yes, so what I would suggest is that you have the contact details of Ratnakar who is the Company Secretary, and we also have an info@mahindrairrigation.com. So, I would suggest that you in the first instance reach out there and we will find a way to improve our connect with all the retail investors who are keen in being more closely connected to the business. Thank you very much, Milan ji, and all the best to all of you as well. So, with that, we come to the end of this investor call. Back to you, Dorwin.

**Moderator:** Thank you. Sir, are there any further closing comments that you would like to give, sir?

**Ramesh Ramachandran:** No, I would just close by saying that this was our 10th investor call and I think that the passion that I have seen among all the investors is just the same as it was. Thank you for your support. We look forward to meeting you again soon.

**Moderator:** Thank you. On behalf of Mahindra EPC Irrigation Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.