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JISL/SEC/2023/05/B-2/B-6 31st May, 2023

To,
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To,
National Stock Exchange of India Ltd.,
Exchange Plaza, C-1, Block G,
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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 – Q4 and FY2023 Earnings Conference Call.

Dear Sir/Madam,

Please find attached herewith transcript of **Q4 and FY2023** Earnings Conference Call held on 29th May, 2023 at 2.30 pm.

Please take the above on record and acknowledge.

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

AVDHUT VASANT GHODGAONKAR

Digitally signed by AVDHUT VASANT GHODGAONKAR
DN: c=IN, o=Personal, 2.5.4.20=b8f331f512bd03de8efff4b3f64d13 5cb46f74c58815e29edee5911bcc3ffd61, postalCode=425001, st=Maharashtra, serialNumber=824384b5181cddb68de057d d1684b25fa216f2a759e9d36733bf5121ce2a 601c, cn=AVDHUT VASANT GHODGAONKAR
Date: 2023.05.31 16:11:30 +05'30'

A. V. Ghodgaonkar
Company Secretary

"Jain Irrigation Systems Limited
Q4 FY'23 Earnings Conference Call"
May 29, 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: **MS. ASHWINI TRIVEDI – KR CHOKSEY SHARES AND SECURITIES PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Jain Irrigation Systems Limited Q4 and FY23 Earnings Conference Call hosted by KR Choksey Shares and Securities Private 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 assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Ashwini Trivedi from KR Choksey Shares and Securities. Thank you and over to you, Ms. Trivedi.

Ashwini Trivedi: Thank you, Neerav. Good afternoon, everyone, and welcome to Jain Irrigation Systems Limited Earnings Call to discuss the Q4 and FY23 results. Today we have on call Mr. Anil Jain, CEO and Managing Director, and Mr. Bipeen Valame, the 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 risk, uncertainties, and other factors and must be therefore viewed in conjunction with the risk that the company faces.

Future results, performance, or achievement 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's website. I now request Mr. Anil Jain Mehta to take us through the company's business outlook and financial highlights, subsequent to which we will open the floor for Q&A. Thank you and over to you, sir.

Anil Jain: Thank you. I would like to welcome everybody for today's on call. The fourth quarter and for the entire year, the company has made a lot of positive progress. If we really focus quickly first on the overseas transaction which we completed almost on the last day of March, we have been able to help significantly reduce the debt to the tune of almost INR28 billion because we did this transaction. It has also helped us to improve net worth by approximately 1,500 crores.

That was the second major thing it has helped us. It has taken care of the corporate guarantees which were given to the overseas bondholders and other loans to the tune of $300 million, which appeared as contingent liability in our books. So that is now fully relinquished. When we had announced the transaction in June, it was subject to certain antitrust approvals by various government authorities around the world. It took some time, almost close to nine months, to get that whole process completed.

During this period, we had to pay a little bit more to bondholders, so that has resulted in less equity. So we had announced in June that we are likely to have closer to about approximately 22% plus minus equity into the merged company. Instead, I think we are closer to 18.7% and that reflects the additional debt payment, and a small amount of reduction into the enterprise value than what was announced in June. But that is behind us now.

The transaction has been successfully completed and the new merged co., headquartered between Singapore and Israel, will continue to operate and run its business with the professional management and between Temasek and Jain as two shareholders, main shareholders into the company. The company is expected to continue to grow and post that growth, maybe three years or so, directional thought process between shareholders is that we should make an attempt at possibly listing of that entity. But it is too early to say when, how and what. But directionally, that is where that will go.

So over the next two to three years, we are expecting both as shareholders that this company will continue to grow. It will also create additional synergies between merger and improve its earnings apart from the revenue growth by using both companies' product lines. The last part of this transaction is that we will continue to supply certain products to this entity from perspective of exports. This company will take our product and distribute that around the world. India business would directly only deal with India as well as the subcontinental countries like Bangladesh, Sri Lanka and so on, about four or five countries.

And company would also be able to participate directly in any government of India or Ex-Im Bank related irrigation projects outside India, which are usually backed by letter of credit. So that's with the merger of our OCS irrigation business. It has been very successful and we are very happy that we could conclude it in right time. And it would allow now management to focus more back on to big business in India as well as other businesses which we have. Another important event in the March quarter for which we are reviewing on this concord was that we completed one year of the restructuring.

The restructuring of the company with the lenders in India was signed on 25th March 2022 and 25th March 2023 we completed one year. And as per the RBI rule, the banks have a choice and ability to upgrade the account post completion of 12 months. And in our case, prerequisite to that is that rating agencies should also treat the company's credit as investment rate. And I'm happy to inform that CRISIL and ICRA both, you know, upgraded the company's rating to investment rate triple B minus by end of March.

And the banks thereafter have been able to also certify the account as a standard asset. What that means is that banks, no bank has any provision against all the loans they have lent to the company. And company's accounts are standard. Company is currently servicing all the debt on the due date. And overall we feel comfortable that going forward also we do not expect any issues in our ability to honor all the debt obligations.

So there has been, I think, second biggest and most important thing which has happened in this quarter that company's assets have become standard with the banks as well as with the rating agencies and company's account has been standard and current. The third important part of this overall what happened in is that the business has done very well. Our underlying revenue has grown almost about 39%. And when I'm speaking this is standalone business in India. Hi-Tech division grew about 27% and plastic division grew actually about 56% based on good orders on the Jal Jeevan mission initiative being run by the government.

In terms of this is standalone but if you look at also console performance and so standalone business is Hi-Tech agri-division and plastics division. When we talk about console that would mean addition of the food business which we had as well as overseas part of the plastics. So overall that business has grown this quarter 27% from INR1,372 crores to INR1,745 crores. And individual businesses, Hi-Tech is mostly India only, so it is about 26%. Plastic is 45 and agri-processing grew at about 7.5% in the quarter.

Now when we look at this, because the fourth quarter is the last quarter of the year, you also look at the annual numbers. The revenue growth for standalone business has been about 28% from INR2,800 crores to INR3,600 crores. So almost addition of INR800 crores in the overall revenue in India basis where about 24% growth was in Hi-Tech which includes micro-irrigation tissue culture and 36% growth came into plastic which is pipes, mostly pipes in India. For console business we grew by 21.4% from INR4,700 to about INR5,700 crores. So let's say we have added about INR1,000 crores.

Again Hi-Tech had grown about 24, plastics 28 and agri-processing for the whole year grew about 12% to about INR1,665 crores as against last year's 1483. So all in all good sector growth across all the divisions and all the businesses and we believe this level of growth which we have achieved on, you know, while for the console year we grew only about 21% but overall we expect current year FY24 we would be expecting to do better than the last year even though last year was also very good across the board.

In terms of revenue. This revenue growth which we have got has come through a lot of new business in what we call retail. So let's say in Hi-Tech agri-division we sell our products to farmers by our dealers that's what we call retail and retail has much lower footprint in terms of working out cycle. So our receivables are very nominal when we sell to the dealers because almost we are collecting in advance maybe a few days of credit. So that allows us to improve the cash flow, grow the business but do not need any additional debt. So that's what our focus would remain even in FY24.

Public business there are two parts the PVC is again with the similar terms where we almost receive advance from the dealers but then there is a polyethylene pipe business which will go into the JJM as well as to other people. Institutional business what we call it and there the receivable cycle can be up to 90 days but that's also very important part of our overall business. Now our effort going forward in FY24 and as you would see from our investor presentation which we have shared on our website that we are trying to significantly bring down working capital cycle.

And for standalone India business it had come down to about 250 days as against 314 and for consult business the networking capital is at about approximately 197 before adjusting the accounts receivable from the merge flow because that is expected to definitely come through in the current year. In April we actually already received about INR135 crores. So again the idea and thought process is to further improve the working capital as we will move along in the current fiscal year.

While for the growth of the business the absolute amount of inventories might go up a little bit but receivables because we will be collecting more receivables from the government when the as we complete the project between current FY24 and FY25 those receivables will keep coming down and that would help us that any additional working capital we need for closer to 30% revenue growth for FY24 can already come from recovery of the old receivable and therefore we do not need any additional capital and we will still based on the cash flow generation we are expecting and you know good growth we are still expecting that the debt of course go down to the tune of closer to about INR600 crores approximately.

Now when we look at the debt what is the current debt of the company that is a very important issue for all the stakeholders. So there is a debt in India so standalone balance sheet and then there is a debt overseas. So combined net debt now is approximately 3,581 as of March 23. This debt as I said we are expecting the debt to go down and the actual repayment would be there to the tune of close to 600. So let's say we are expecting FY24 debt would be closer to approximately INR3000 crores that's where we would intend to go.

The current debt which we have this INR3,581 crores we have there are two parts to that debt. There is a working capital debt to the tune of almost INR2,200 crores across all businesses. Now that is a normal interest-bearing debt. Then remainder about you know it's approximately around INR1,500 and odd crores of a term debt across different businesses which is there. Now part of this is interest bearing which we have to you know and it will fall due for repayment over the next few years and we need to pay that off.

And part of that is during the restructuring part of unsustainable debt was converted into 0% NCTs. Now these NCTs are due actually to be repaid in FY27 and FY28. But under the restructuring agreed with the bank as we collect some of the overdue receivables they need to be used to repay these NCTs. So kind of pre-paying those as we collect these receivables. So we are expecting maybe another INR300 crores or so of these NCTs would get pre-paid in FY24.

In terms of the interest outflow actual cash outflow of the interest is expected around INR310 crores, INR320 crores that is interest plus finance charges of running the business. And however when you look at our FY24 P&L you might see that figure is higher by about 60 crores. And the reason for that is that this is a non-cash adjustment of the fair value. So because NCTs are at 0% and they are payable over a longer period of time of 27, 28. Under the accounting standards when we account for those NCTs in the books you put them at a lower value.

And then every year as you go closer to the time period when they are going to be settled you keep adding that much cost at the interest level into P&L. That's how accounting standards work. So there would be that amount which will come as part of the finance cost but that's not a real cash outflow. That's merely a book entry which is there. And we will be putting up precise calculation and details of this also on our website so that there is a full collection of investors in terms of what exactly that means on impact it has on actual cash flow. Because no particular cash outflow is linked to that higher interest cost.

As a company then if I move a little bit more beyond this now. As a company you know the main business which we are, what we are trying to do over the last couple of years is to rejuvenate our dealer network, strengthen them, work with them more closely because that's the one where working cycle as I said is far better. And also company can improve its earnings by selling more. So we, and that's where a lot of growth has come through last year. So current year also we will remain focused on that.

We'll remain focused on opening more dealers in you know areas where we are not there. Traditionally we have been more in western and southern India and now we are improving more in north and northeast. In terms of the, that's for mostly for irrigation. Same thing applies to OPVC pipe business where we sell pipes to the farmers. Some of the pipes as I said which go into drinking water applications and other applications. That's an institutional business and that we do already across India. Overall order book is at INR2,300 crores across all business segments.

You know earlier when we used to have the government projects the order book used to be much larger but we have stopped taking new government projects. That's why you see the order book sizes come down but a lot of our business comes from the dealers and they do not typically provide orders for the six months or a year. Those are monthly orders right. You receive order, you supply, you consume and so on. So the mere number of INR2,300 crores does not directly signify the company's ability to do the business. Business is coming on a continuous basis in that major part of the business segment going forward.

But overall we feel fairly comfortable to say that about 30% revenue growth we should achieve for the business we are continuing, excluding the business, which has been taken off. So I think maybe I can stop there in overall. And for the next year, I think, we as a company while we are looking to bring down debt by INR600 crores, our company would have approximately about INR175 crores of capex. I think about INR75 crores of that is pure capex related to maintenance and about INR100 crores would be the growth capex. The growth capex where we are investing would come mostly for two specific parts of the business.

In a piping side, we are investing more into fittings, which would allow us to sell pipes also into urban areas and into building construction, residential buildings and so on. And the remainder about INR50 crores would be invested to build additional capacity in our tissue culture business.

Our tissue culture business, while it is small today but we are seeing a lot more demand coming from farmers, and we are also adding a little bit more capacity for additional products. So traditionally in tissue culture we have done mostly banana, then pomegranate, strawberry, these three or four crops. But we have over the last few years through R&D, we have added potatoes, we have added sweet orange, papaya, we are doing mango and there are some more products in pipeline.

So we need to make some investments into that business. Banana also our existing product line we are planning to double our capacity, because we are seeing sustained demand from the farmers in that business. And payback on this investment on tissue culture should be about two and a half years; in plastic piping maybe it is closer to three years. So those would help us to sustain high double-digit growth going forward.

In terms of overall capacity utilization, our main business is normal business of drip irrigation or the pipes. I think currently we are at about closer to 60% and we think between FY '24 and FY '25 with the kind of growth I am talking about, we might be able to hit closer to about 85%. That’s our thought process as we speak. So company’s do not have to do big plans in terms of the new capex.

One thing I would like to urge all stakeholders that our company's business sometimes can become very seasonal. It partly depends on monsoon, partly depends on the rain or whatever else. And it is usually back loaded, so large amount of business and earnings come from the second half rather than first half of the year. That is just the nature of the business. So it is very difficult for company to say each quarter, we will do so much and so much. Or if you are tracking based on quarter, you cannot just multiply by four times to arrive at the annual result. That may then paint a wrong conclusion or wrong picture overall.

So if you look at risks to this plan, which I am talking about, they are always about polymer prices, which is one of our main raw material. And there we see that the environment may remain benign in terms of availability of material. So there is some new production capacities coming up in India. On the polyethylene side, on PVC side with China slowing down, Europe and USA also slowing down, there could be enough availability. And so by all experts whom we talk to or we see the market trend, it is expected at least between now and December things will remain subdued. Of course this is barring any unforeseen geopolitical events, which we do not know of today.

I think that is where we are right now. And I would now like to open the floor for questions. Thank you.

Moderator: Thank you very much. The first question is from the line of Avinash Nahata from Parami Financial Services. Please go ahead.

Avinash Nahata: Hi, thanks for the opportunity. I hope I'm audible?

Anil Jain: Yes, Yes, Yes. Please.

Avinash Nahata: Okay. Anil ji, we would want you to spend one minute more on the kind of supply arrangement we have with the merged Rivulis with the standalone Jain. What is the size of the new entity and what kind of business, if you can, even if it is a range, can we expect from the new entity? Once you answer this, I have two more questions. Thank you.

Anil Jain: Sure. So, you know, the size of the MergeCo is approximately, I think, about $700 million, $750 million on day one. And we are anticipating in the first year, approximately they would buy from us maybe about $30 million of that from us. Of course, they will add their margin and sell. So, but we are expecting in terms of exports of $30 million.

Now over a period of time, it would be our intention that they should buy more from us. I think there is understanding between us and them that they would also like to buy more from India, because as long as India can be cost competitive. And -- but this is a new merge company, right? So there were parts of Jain who are part of that company, who were also earlier buying them that is easier.

The new part, which has come into the merger, the original Rivulis part, those people need to become comfortable with this new product line, the cost, and usually the different brand, different -- all of those things. So that would take some time to work that out. But I think starting point is at least to look at $30 million in year one.

Avinash Nahata: So you're saying when -- so when we're expecting a growth of 30%, so you are basically from this merge entity, we are just taking $30 million into account, correct?

Anil Jain: Yes, Yes. So most of the growth we are assuming is actually coming from the business in India.

Avinash Nahata: Okay. And is there a finite arrangement in the terms that -- is this a 10-year supply arrangement or something like that?

Anil Jain: No, this is a long-term supply agreement. I think 10 years or more, that's not an issue. But these numbers we will look at on a yearly basis.

Avinash Nahata: Okay. My second question is on receivers, although you have said that you will shed more on the retail channel. So what is that we used to do four, five years back, and we did not do retail, and which increases our ability to do retail as of now, which will release more cash into your system, if you can spend some time on this?

Anil Jain: Sure. So I'll answer that question. But on your earlier question, see, last year, our sales to of irrigation items or substitute approximately INR200 crores. A $30 million means about INR250 crores. So that would show about 25% of growth in the export number to the subsidiary. So that is just one clarity.

In terms of, we -- okay, let me try and explain the type of businesses, which we do. So there are three parts to the businesses. And when I talk of irrigation, one when we sell to our dealers, dealer sells to the farmers and dealer pays us, right, and it is not connected with anything government or subsidy, etcetera.

Now earlier, the three or four years ago, we used to provide to dealers as well under this model, up to 90 days, sometimes 150 days range of the credit, post difficulty and post-COVID period, we have changed that business model. And we are asking our dealers to actually pay upfront or as soon as delivery takes place, that can overturn. So that is improving the cash flow for the company. This is one part.

Now there the dealers whom we have, we have had dealers for a long time, right? 20, 30, 35 years. But we are opening up new geographies where we are also appointing dealers. So, for example, four years ago, we had almost no business in Northeast area. Right now, it's about INR40 crores or INR50 crores.

The other states where we have very limited sales like UP, we expect this year to have again 44 sales in UP and so on. So it is combination of rejuvenating or strengthening existing dealers, and also having more dealers into the new area.

The second part of the business, which we did what we call government business, there are two parts to it. One is the project, where we took EPC projects. Now this EPC project was to get water from a given area, bring it to group of farmers, and I'm talking of 10,000, 20,000, 30,000 farmers, 30,000 hectors, that kind of thing. And then also put drip or sprinkler onto their farm. So it was a combination of projects where water supply and then efficient water distribution on the farm.

These projects, which we took from the government and at one time, I think total projects we had taken were INR4,000 crores, INR5,000 crores of size. They got delayed in implementation, we were not getting paid in time. So many things happened and we decided that we do not wish to continue to take financial and political risk of these type of projects. And whatever projects we have taken in hand, slowly but surely, we are completing those, closing those and moving forward. And we expect all the existing pending projects should get completed over next maybe maximum 18 months to 24 months, but most of them in next 18 months.

And those long receivables used to be there, won't be there now because as we complete the project we'll recover everything, what is outstanding and we are not doing that type of business.

Other part of the drip irrigation business, which is what we call government is that in some states we do not have choice, but to place order through the government. That is how the government programs are run related to irrigation. And while government places their order on behalf of the farmer with the company and that's how the program runs. And there typically on an average one should assume at least 180 days.

During last two, three years we have had significant delays from states like Andhra Pradesh, last year there was delays even from Gujarat, but most of the Andhra recoveries have been done and now we are almost current in terms of new business within that time period of less than 180 days is happening.

So there also improvement has taken place in that so-called government business, but it would have a longer working capital cycle. So this is what I mean when I talk of the retail and we think there are enough states going forward over the next few years, which will continue to evolve, understand and appreciate usage of drip irrigation. It's not about just water saving, it's about productivity improvement. It does add value to the farmer's income. It can help them reduce the consumption of fertilizer and so on. That's what our focus is.

Avinash Nahata: Okay. One question relating to your receivables. As many receivables as it is as on date, which is the third channel you were talking about this government tender. Is any of these receivables disputed?

Anil Jain: No, no, no. None of them are disputed. We don't, I mean, I think I would qualify that statement. We have one state where about INR100 crores or odd. That might go into arbitration, but as of now that discussion is still going on. But I would say 96%, 97% of receivables are good receivables. Whatever receivables we felt where could be disputed, where there are issues, there could be legal issues or whatever, we have already made adequate provisions in the book. So we do not anticipate in normal course any new provision against the receivables. What the net receivables you see on the books are all good receivables, which will be fully recovered.

Avinash Nahata: So you're saying at some point of time in future, whether three months or six months, this should flow into the company?

Anil Jain: Yes, Yes. Especially the project related over next two years as we complete the project, they should flow back.

Avinash Nahata: Okay. So one question when you said INR600 crores is what is the ballpark number you are looking forward to repaying as far as FY '24 is concerned. It maybe also mention that there could be a INR300 crores of NCD, which can get preponed due to some -- is this NCD linked to some of the receivables? Is it mapped through some of the receivables that if he comes then it will be repaid?

Anil Jain: Yes, yes, yes. It is linked with that.

Avinash Nahata: Okay. So this is INR600 crores plus INR300 crores, correct?

Anil Jain: No. See on net basis, that -- so the NCDs is also a debt on the books that will go down and then other debt, which is there, which would be maybe another about INR300 and odd crores that would also get repaid.

Avinash Nahata: Okay. This INR600 crores, when you were talking about INR600 crores, this has that NCD INR300 crores component?

Anil Jain: Yes, that includes that INR285 crores.

Avinash Nahata: Yes, Yes, so understood. And one last question, if you can talk about the food processing business, your traditional mango pulping concentrate business, dehydration business. So you have spoken about only INR100 crores of growth capital and INR75 crores of maintenance capital with a new jams coming back in the market with bank facilities. What kind of growth we can see in the food processing business? That would be all from my side.

Anil Jain: Okay. So just quickly I want to correct myself. When I talked about INR175 crores, that was for standalone. There would be additional about INR50 crores into consolidated numbers. So because there is a maintenance capex in the food as well, which is there. So overall it should be about INR225 crores in terms of capex. Second question, what was the actual questions on the food business in terms of growth?

Avinash Nahata: Yes, Yes. So with, I mean, with new resources around the entire company, what is the kind of growth we can look forward to in the next three years in the food processing business?

Anil Jain: So food business, if you break the food business, it's about INR650 crores out of India export and domestic sales, and about INR1,000 crores with the overseas subsidies in the food business. So that's about INR1,650 crores we did this year.

We think, you know, because during last two, three years, again, with the kind of difficulties we're facing, our capex utilization was low, we did not have adequate working capital. We are seeing a good order flow from some of our B2B customers on the juice, beverage side, or even as the ingredient on the onion or garlic side. So we are confident of maintaining a growth rate for the overall business, about 20% plus. The India could be growing higher than 20%, but global basis, it will be growing also 20% plus.

Avinash Nahata: So you're saying that this capacity was underutilized, because of working capital, you were not able to process as much, for players like Coca Cola, etc.

Anil Jain: Last two, three years, that's correct.

Avinash Nahata: Okay. Thanks a lot and all the very best.

Anil Jain: Thank you.

Moderator: Thank you. Next question is from the line of Suraj Nawandhar from Sampada Investments. Please go ahead.

Suraj Nawandhar: Hello, sir. Good afternoon.

Anil Jain: Good afternoon.

Suraj Nawandhar: Sir, what would be the sustainable EBITDA margins for the business?

Anil Jain: So, you know, again, there are different, different divisions. Traditionally, drip irrigation, which is what is partly high-tech, our margins are around about 17%. The piping, which is comparatively low margin business, but also requires less amount of capital. We have been able to hit closer to double digit, about 8% to 10% over the last few years.

The idea is we improve the capacity utilization going forward with better fixed cost absorption. And also as we use more capacity, we are buying larger quantities of raw material where we could get some volume.

Our idea would be that about piping or plastic business, we could take to 12% going forward combined basis. So when you will combine these different -- and food is at about 12.5%, 13%. So when you combine all of the businesses put together, in a good year, you might be between 14% and 15%. In a bad year, you might still be around 12%.

So currently, our internal targets be closer to 14%. And as we are coming out through difficult time, where we are getting back market share on substantial basis, but at the same time also improving the cash flow. So when we are trying all the three things, right. So I think revenue growth is back. Margins are more sustainable now. And cash flow is also happening. So all these three is what we are looking to combine.

Suraj Nawandhar: So the operating leverage is going to be the major driver for the margin expansion.

Anil Jain: Yes.

Suraj Nawandhar: Okay, and sir do you expect any further improvement in your working capital cycle?

Anil Jain: So, there are, working capital cycle will definitely improve as I explained, as this government projects close and some of those old legacy receivables we get fully paid only after the closure of the project. That would bring down the overall receivable levels and that should definitely improve working capital cycle. Also, as company and as I said that we are now triple B minus, etc., would mean that we could get better supply credit, which would also help shorten the working out cycle or our net contribution into working capital would be less. In terms of inventory, while inventory might slightly go up an absolute amount, but let's say inventory goes up 10% but revenue is growing 30%.

So, in terms of days outstanding against self-working capital cycle would shrink. So overall, I think at least this year, March '24 and March '25. In both years, I believe you will see a visible reduction and improvement into overall working health cycle.

Suraj Nawandhar: Okay, and sir, considering the elections that we have in this year, I have four to five state elections we have. So, do you expect any halt in tendering process or any changes over there?

Anil Jain: As I said, we are not actually doing a lot of new government business, right? We are not going for government tenders and so on. So, there is no direct impact. But it is true that whenever elections are there in that given state or area, usually, six weeks before there are these guidelines or whatever. And that slows down the bureaucratic process or any process of farmers getting funds in their hand or whatever may happen in marketplace. But we have enough business now across India. So, if some states, things slow down, you can push your product somewhere else.

That is one, and I think general elections are next year, sometimes in May. So overall, I'm talking still as of now, what we are planning to do current fiscal of FY'24. We don't anticipate, anything significant in terms of headwinds.

Suraj Nawandhar: Okay, and just the last question, can you throw some more bit light on the food processing business and give to the company so you can just explain your business model in the food processing business?

Anil Jain: So, food processing business, it's a, we are, we buy a large amount of, for example, we buy a large amount of mangoes. We make pulp out of those mangoes and we supply to customers like Coca-Cola and other large global beverage companies in India and outside where they will make the juice out of it and sell. Other product lines are like onions or garlic for that matter, which we'll buy from farmers again, process those, create dry onion or garlic, which can go as an ingredient into, for example, Nestle is our customer, it can go into their product in ketchup or Maggi or in export markets as well.

So, that's the business model. Typically, that has usually less receivable, it has more inventory because based on the season of the individual crops, like in mango season now as we speak, we have started processing mangoes. So, in the next 60 days we should process all the mangoes and then sell the mango pulp over a 12-month period. So, it is an elongated inventory holding cycle against the order. So, we already get before the season kind of orders from our customers that, okay, next one year please supply me such amount of X quantity. And then monthly basis there is off take.

So that's how the business works. While primarily we are in mango and onion, but slowly but surely, we are adding other products more. We are now in banana, guava, papaya, tomato, pomegranate, garlic, so many other product lines which have started working and delivering revenue. But as of, I think, for FY'24, majority of revenue would still come from mango and onion.

Suraj Nawandhar: So, when we do these contracts, do we also get in contact with them over the rates or is it only the quantities that we get in contact with?

Anil Jain: So, we get indicative contracts, right, in terms of quantity because you process the quantity that's what the need of the customer. So, customers are, duty-bound to evacuate the entire quantity. Most of the customers, these contracts are made kind of middle of the season by when you already know the raw material price. So, you don't take risk on it. With some customers, large customers, we have raw material plus contracts. So, whatever is the raw material price, it could go up or down, it is passed on to the customers. So by and large, I would say, 80% or more quantities we sell, 80 or even 90, I would say, we do not take any raw material commodity price volatility risk.

Maybe it is 5% to 10% product which gets sold on spot where you might have some risk, but by and large, nature of the business, as it has evolved. Earlier we used to and, sometimes it really hit us badly. But I think over the last few years, it is more and more the entire industry is moving towards this kind of model because nobody can take that kind of a significant commodity volatility risk.

Suraj Nawandhar: Okay, okay. Thank you, sir. Thank you very much and all the best.

Anil Jain: Thank you.

Moderator: Thank you. Next question is from the line of Pawan Yadav, Individual Investor. Please go ahead.

Pawan Yadav: Yes, hi. So, I will have two or three questions. Very quick question. Question number one is that you have, while your revenue grew by just around 20% at the standalone basis, your other expenses have gone up significantly, almost doubled. So, can you explain what these other expenses essentially entails, wherein, I mean, those expenses have come by impacting the bottom line?

Anil Jain: So, I think, first of all, revenue at standalone was about 28%, so from 2800 to 3600. Console is 21%, so from 4,700 to 5,700. Most of the expenses which we have are actually linked to underlying business performance, so there is no significant change. The other expenses could also, I think other expenses would include some provisioning which have been done based on, what you call, we have this ECL model. And if I really look at quickly at the other expenses numbers, April to March for standalone business, in '21, '22, it was 646, now it's 776. So, earlier it was 22.5%, now it is 20.5%. So actually percentagewise, you would see…

Pawan Yadav: I was looking at the Q-On-Q number, the December quarter and then the March quarter number.

Anil Jain: Okay, so I don't have comparison purely that would change. But if I have the fourth quarter numbers, if you look at other expenses again, INR216 crores was the same period last year, and now INR308 crores. But if you look at percentage to revenue, earlier period was 24.3 and now it is 21.9. So actually, they have gone down.

Pawan Yadav: Sir, one more point that at the console level, if you remove all the exceptional items, including the revenue or the losses or anything, where exactly are we at the operating level in terms of profitability? If we remove all this gain from the revenue, stake sale and all, if we adjust at the console level, console level where were we in terms of capability?

Anil Jain: So, at console level, in terms of numbers, if I remove all this one time, because this year this big transaction happened, so there are lots of these onetime issues related to accounting standards, corporate guarantees and that. So, we have cancelled those, so there was some gain related to that and so on. So, based on the operating performance, when we look at console level EBITDA for '23, our EBITDA is about INR730 crores. The actual finance cost for the last year was about 340. This is I am talking cash outflow. You would see additionally INR70 crores, which was 70 plus 40, which was amortization of the NCDs, but actual cash outflow was only 342, from 732. So that leaves and depreciation was about 236. So operating profit that way is about 150.

Pawan Yadav: Understood. Thank you. Just one more, one last question. Most of the question is answered by you about Jain Farm Fresh. Now initially you were planning for an IPO for the Farm Fresh. Are there any plans, that's part A of the question, and part B, that during the last two or three years of the struggle, there could be some of your institutional clients who may not have been working with you or maybe cutting down on the business with you. Are there any improvements on that side that you now have compared to a higher number of institutional buyers and maybe the higher sort of quantum of the business that you are doing with them? And plus, are there any plans for the IPO as you move ahead or any stake feel in gen Farm Fresh to anybody to cut down on the debt that you did with the international business?

Anil Jain: So, I think overall, we as a company and management are clear that as we move forward, as business grows, comes back to the growth, that it should not be debt-fueled growth. That we are very clear. And actual debt, wherever it is today, should keep coming down. That's another clear charter for us from our board. In terms of another value monetization event, let's say for the food business as you asked, as we have also an overseas private equity investor into food. Maybe down the lane, we need to go for IPO because that could possibly provide them the exit. But the timing related to IPO is partly linked to the market, market situation.

Partly also linked to the underlying performance, whether it is robust enough to attract a good level of valuation, etc. And I think at least in the current year, we are not there. I think food had lost INR100 crores two years ago. It is back to profit now. So, I think this year, current year, it's profitable. So, we have covered that deficit and now it is, I think, in a much stronger trajectory going forward. So, as the business improves and if market conditions are there and the board of the company then decides including along with the input from our investor, private equity investor in that company, then I think we will go for IPO.

And if we do, then of course it could be, it could further help us to reduce not only console debt by reducing the debt in food, but it might allow us to also give an opportunity for offer for sale and reduce the debt at the parent.

So, that possibility exists. Question is, but I cannot be certain and I do not want to unnecessarily create some kind of speculation around timings of that or the size of that. In terms of underlying business, it is true that, we could not process enough quantities for last few years. And at that time, some of our customers reduced the quantities they were giving orders to us. But, we have a long relationship with most of these customers, almost more than 20 years now. All the global food 50 companies, one way or the other, we have a relationship. And they understand that this was a temporary difficult period we went through apart from the COVID, our own issues. And that company has come back strong.

The parent company is doing very well now. So, we are seeing actually signs where some of our customers are now this year for FY'24 are giving us orders which were, same as before '19, which we used to enjoy with them. So, I think we are back there now. But again, one has to wait for one year to really start getting things to use cliche fruits of all this work which we have done.

Pawan Yadav: Perfect. Thank you very much and wish you all the best. Thank you.

Anil Jain: Thank you.

Moderator: Thank you. Next question is from Sanjay Kohli from Goldstone Capital. Please go ahead.

Sanjay Kohli: Yes. Good afternoon, Mr. Jain. Congratulations on, achieving all these fantastic improvements on most parameters. many, many thumbs up to you. I have, Yes. And great going. And we hope this that you keep consolidating. Just a couple of questions. One on your PVC on the plastics business. Now, recent prices have been very benign and you have mentioned that you have some visibility in them being benign. So, can we expect that going forward along with a lot of emphasis on the top line in this business, so pretty decent revenue expectations, that the margins will be maintained at these double digits or this 10%-11%?

Anil Jain: Answer is unequivocally yes. I mean, and we hope that with better capitalization as business grows, we might be able to even improve. But I think our medium-term goal this year, next year, is closer to 12% on the plastic business. And as I said, traditionally in the past we have been 8% to 10%. And there was a period, right, we earned 10% or 10.5% or 11%. But it was not on sustained basis. Now where we are, we think on sustained basis we should have double-digit margins going forward.

Sanjay Kohli: Fantastic. And we have been talking to dealers here in the north and you had mentioned UP as an additional geography to your business. You see, the feedback from the market is that your product line is completely blown out. It's just fantastic. But in the past you have not been deploying working capital towards the dealer network on the retail side, which is a great business as you explained. So, can we expect, because in the commentary it said that your business grew from south and western states significantly. Are we going to be emphasizing on the north as well? You mentioned northeast. To add to this dealer network and what would be the mix between projects and retail going forward?

Anil Jain: So, as of right now the pending orders we have on the projects of the Drip Irrigation business and piping business put together, I think it is about INR900,000 crores is still left to be done. And that will get executed over the next two years. The retail business is one which is growing. Overall, let's say FY'24, almost INR3,000 crores of business will be retail business for us. Now, coming back to the question on western and southern states, though they have been traditionally states with, a little bit less water, right, availability. And therefore, it has been easier to push through the sale of the concept that with less water you can do better agriculture.

In north it was difficult, but we are definitely seeing, we are doing very good business in Haryana, for example, in north. We have very solid plans in the current year in Rajasthan. UP for the first time for us as a state would cross INR50 crores. So, we have states, right, who are like Maharashtra this year alone as a single state, we would be crossing four figures, right, more than INR1000 crores, INR1,300-1,400 crores somewhere in that region for pipe and Drip put together, just retail sales. We have states like Andhra or Karnataka or Tamil Nadu, we are like INR200 crores in that state with Drip and pipe together.

In northern states, there are a lot of states, we are like INR0 to INR50 here, not less than INR50 here, most of them INR10 crores, INR15 crores like that, so comparatively less. But UP this year would be the first time we would be crossing INR50 crores. So, our idea is that each of states which is in INR0 to INR50 should move towards that INR50 to INR200 criteria and what is in INR200 should move to INR200 to INR500 and so on. So, we are deploying, within the organization a lot more resources to develop the dealer base in north, northeast and east, areas where we have comparatively weak presentation.

Our product line, and I do not want to boost, but, if our products are available, most of the farmers would just like to buy Jain because there is nobody else who has that level of breadth and depth and the quality and consistency in terms of product. But at the same time, we, with the new business model, we do not wish to give open credit to dealers, etc., because then you are again subjecting to yourself to the same kind of situation, we got in two, three years ago, we do not want to do it. But we are getting now good dealers who are willing to invest, right, or willing to carry inventory, or willing to pay up front and take the product.

As they see more and more, profitability, they can make, most of the agri-input products like fertilizers or pesticides, the distributors hardly make 3%- 4% margin. In Drip Irrigation, they have ability to make 10%, 12% margin. So, it is also attractive for them, but as long as they are willing to invest. So, some of these efforts is going to be a two-to-three-year effort, where you will see significant changes in terms of different zones in which we sell. But that push for now is definitely out there.

Sanjay Kohli: Okay, great. Mr. Jain, just two short questions which have short answers. One is on the overhead portion, the last two years you have gone through a major restructuring. And so, it would have cost you a lot of money to hire all these foreign consultants, lawyers, etc. Over the two-year period, I'm assuming about an amount of about close to INR100 crores per year. This is not going to be there going forward. And very quickly, I'll put the second question also. The overseas food business has done really well. How much of the revenue is attributable to the raging price inflation going on in Europe, which seems to be very sticky and how much to volume growth? I'm done here. Thank you. Thank you very much, sir. And congratulations.

Anil Jain: Thanks. Those exceptional expenses will not be there. They were treated as exceptional expense, expenses related to restructuring. And they were indeed right. You are correct. They were about INR200, INR250 crores, including for the bondholders globally, etc., the amount of dollars we had to spend between the lawyers and the courts and all of that. And those will not be there going forward from the current year. In terms of second question, food inflation is there, but actually, we had to use downtime, right, to cut down our costs, change the product mix around the world in each of the divisions.

We're very focused on seeing that this should never happen again, what happened. So, there is a significant improvement in underlying operating performance, apart from the inflation which is there. And that's where you're seeing good results. So, currently, based on all the inputs we have from the overseas subsidiaries and the CEOs there, they are expecting also another strong year in FY'24. Thank you.

Moderator: Thank you. Next question is from the line of Rajendra Shah from Fidelity Investments. And I request, please restrict to two questions.

Rajendra Shah: So, with all the runway for growth and consolidation improvements, sir, any projection as to when you'd be back on the dividend list?

Anil Jain: I think it's too early to say. It's partly also linked to the, what the lenders talk about, right, when they did the restructuring, they usually put some caveat, right, company cannot issue dividend without our consent. The fact, but the good part is that lenders now, as a part of restructuring, we issued them equity. So, they own 10% of the equity, right? So, they might become more amenable, going forward, because they themselves will get it as they are also important shareholders into the company.

But I think if I'm talking now as a management, keeping the issue of the lenders aside, I think at least for the FY'24, the focus in whatever internal accruals we do, is focus is on reducing the debt. And that way, I think significantly add to the shareholder value, rather than focus on the dividend right now.

Rajendra Shah: Yes. Thank you. Thank you.

Anil Shah: Thank you.

Moderator: Thank you very much. And I'll hand the conference over to the management for closing comments.

Anil Shah: No, I think those were good questions from everybody involved. As I said, we are very keen to keep growing, but not at the cost of debt. We will grow, but we would be continuing to remain very focused on working cycle and reduce that cycle, bring down the debt, bring up the margins in the plastic business, as I said, with better capacity utilization and better buying opportunity. And stay focused in terms of where we're going. And we would like to thank all the, shareholders, all other stakeholders who have supported the company in very difficult times over the last three, four years.

There was, that was a threat to existence of the company. But I think we have come out well, and we would like to thank everybody for helping this happen. And I think we are strong and positive about the opportunity ahead, and where we never have to repeat or go through the same thing what we went through earlier. Thank you.

Moderator: Thank you very much. On behalf of KR Choksey Shares & Securities Private Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.