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JISL/SEC/2024/02/B-2/B-6 14th February, 2024

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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 – Q3 of FY2023-24 Earnings Conference Call

Dear Sir/Madam,

Please find attached herewith transcript of Q3 of FY2023-24 Earnings Conference Call held on 12th February, 2024 at 3.00 PM IST.

Please take the same on record and acknowledge.

Thanking you,

Yours faithfully,
For Jain Irrigation Systems Ltd.
AVDHUT VASANT GHODGAONKAR

Digitally signed by AVDHUT VASANT GHODGAONKAR
DN: c=IN, o=Personal, title=0699, pseudonym=4167080bde284ad9af87511f13c3ee2e, 2.5.4.20=b8f331f512bd03de8efff4b3f64d135cb46f74c58815e29edee5911bcc3ffd61, postalCode=425001, st=Maharashtra, serialNumber=824384b5181cddb68de057dd1684b25fa216f2a759e9d36733bf5121ce2a601c, cn=AVDHUT VASANT GHODGAONKAR
Date: 2024.02.14 16:17:10 +05'30'

A.V.Ghodgaonkar
Company Secretary

“Jain Irrigation Systems Limited

Q3 FY’24 Earnings Conference Call”

February 12, 2024

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

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

Moderator: Ladies and gentlemen, good day, and welcome to Jain Irrigation Systems Limited Q3 FY'24 Earnings Conference Call. 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 the 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. Thank you, and over to you, ma'am.

Ashwini Trivedi: Thank you, Sagar. Good afternoon, everyone. Welcome to the Jain Irrigation Systems Limited Earnings Call to discuss the Quarter 3 FY'24 Results. Today, we have on call Mr. Anil Jain, Chief Executive Officer and Managing Director; Mr. Bipeen Valame, Chief Financial Officer.

We must remind you that the discussion on today's call may include certain forward-looking statements that may involve known and unknown risks, uncertainties and other factors and must be, therefore, viewed in conjunction with the risks that the company faces. Future results, performance or achievements may differ significantly from what is expressed and implied by such forward-looking statements. Please note the results and presentations are available on the exchange and on our company's website.

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

Anil Jain: Thank you. I would like to welcome all the participants, investors and others on the call. This particular quarter, third quarter was not, I would say, great in terms of overall trading. But when you slice the overall business, how it has evolved during this quarter, while the headline number is that business was about 18% lower for India stand-alone. And on consol, it was about 9.7% lower.

But when you look at the breakup of that, when I look at the business we are really focusing on, the retail business. Stand-alone, it was down hardly by about 2%, while globally, it was just about 1%. Major reduction, in fact, is due to the project business, which we are unwinding. So that is a known fact.

And if I quickly look at the 9-month numbers as well, stand-alone India, in fact, the retail side has grown almost 36% in the first nine months. And even globally, if I exclude the EPC government-related projects, overall revenue for the first nine months is up 19%.

So while this particular quarter was challenging, overall, for the first nine months, we have good revenue growth in the business we are really focused on. Of course, Q3 the December quarter was lower than our own budget and our own calculation.

And while we had spoken earlier about the fact that monsoon may not have big impact on H2, what has happened in November, December that there was a lot of new untimely rains into areas which we operate in, etcetera, has caused a delay in the start of the season and the demand. And it is expected, as we speak around this time, things have started picking up.

Our piping business is already now trending through what we would expect. And the irrigation business is also expected to maybe start within a week or so in terms of season. So this delayed season has caused a partial reduction in the growth, which we were expecting.

But as I said, overall, the retail part of the business, the retail, the institutions, that whole thing that is down by 2%. So we could manage despite this adverse situation -- climatic situation, we could manage it to almost bring it to the same level of the last year. But of course, the growth which we were planning didn't come. But earlier two quarters were very strong. That's why on a stand-alone basis, revenue growth for the first nine months in the retail business is still about 37%, which is quite substantial.

So that is in terms of the revenue growth. In terms of the earnings, the EBITDA as we compute and shared that in investor presentation, while stand-alone EBITDA came down by almost 18%, matching the revenue reduction...

Moderator: Mr. Jain, we are not able to hear you. Ladies and gentlemen, the lines of the management seems to have disconnected. Please stay connected while we reconnect the management line. Thank you for patiently holding. The line for the management has been reconnected. Anil sir, you can please continue with the remarks.

Anil Jain: Yes. So I think I was talking about the EBITDA that for the first nine months, EBITDA has grown more than 20% overall compared to the same period last year, in line with our expectations.

In terms of working capital during this particular quarter, what is important to note that if we look at gross level of working capital, that means inventory and receivables, both have remained almost at the same level they were at end of September. So that has not changed. At consol level, it's about INR4,000 crores, which is the same amount as of end of September.

But what has happened during this period, we have substantially paid off stress payables across different businesses. And that has resulted in a net working capital that DSO days outstanding against sales has gone up. It's a combination of payables being reduced quite a lot. And also the other part is that the revenue has gone down. That's why DSO looks much higher than September.

But when you look at absolute numbers in terms of gross working capital, whether for the stand-alone or at a global consol level, inventory and receivables, both are almost at the same level as of September. So I think that's on the working capital. Now anyway, this quarter is now done and over with in terms of moving forward -- going forward, what's a good thing? What is something which we need to watch out for?

Good thing is that our overall focus on growing retail business is giving good dividend. And as that happens, profitability will continue to improve as well because retail business does generate a better level of profitability. And when we really look at the receivable days right now because of the whole old legacy receivables of the project, overall receivables look quite high. But when I look at India receivables, which is close to about INR2,000 crores, almost about INR900 and odd crore is linked to this project business.

The remainder of the receivables which are there, which are between domestic, other business and export, then -- and others, actual operating business, the retail-oriented, institutions, what we do is close to about 60, 65 days of receivables. So as we had planned, this has come down to, as I said, the business, we want to continue and focus on that is coming down to almost closer to two months of the receivables.

And as we go along and sell even more retail and as we do less project business and as we recover older government receivables, overall, the receivable numbers will keep coming down in absolute terms as well as the DSO base. So that's on the, I think, working capital.

In terms of underlying demand, overall, we are seeing that piping business, as I said, the plastics overall has done -- in fact, if I look at nine months, the retail part of the plastic business, India was almost up 61%. And actually, quantity growth was even a little bit higher than at 61%. So there, our focus is actually giving good dividend, and this is what we would expect to continue. Even Hi-Tech retail business that is micro-irrigation for tissue culture for first 9 months is up almost close to 21%. And we hope to maintain similar level of -- similar type of growth going forward.

One issue we need to watch out for as we move forward in the fourth quarter and thereafter next fiscal year, is what impact the government's code of conduct around election will have. Because while we are reducing the government-related business, but generally within the entire agri ecosystem, etcetera, when the code of conduct comes, there is a general slowdown because of the whole campaigning or farmers do not get direct benefit transfers.

So their ability to invest also becomes a question mark, etcetera. And that we do not know when whether the dates of election are in April or May and whether code-of-conduct comes mid-March or mid-April, that is uncertain as of now. And that might have an impact or a slowdown, which we cannot really quantify as of now.

But in terms of the rural factors, some of the negative factors, which were there has been the fact that, for example, crops like cotton, which is important for us post November, a lot of farmers had not sold the cotton expecting higher price increases. So they did not have that amount of cash in their hands to reinvest and start planting again, and they have delayed their planting.

So some of these rural issues are continuing to be there in terms of farmers' cash flow and other things. And as I said, despite that, we have managed to do the same level of business and the growth which we had in April to September, we hope there will be a positive growth again in the current quarter and next year should be even more better year for us.

Generally speaking, as we are hitting this EBITDA close to INR600 crores as we had given in our investor presentation. Our target for the whole year was about closer to INR900 crores. And the breakup of INR300 crores in current quarter would be about INR200 crores to come from stand-alone business of India and about INR100 crores to come from food and other businesses we have. So that's the kind of a breakup.

So as long as the -- through March, we don't have any election-related delays or whatever. We should be closer to that figure, which we talked about of INR900 crores, which shows what we had planned when we started the year because I think last year was about INR720 crores and we were planning to have about INR900 crores this year. So about now trying to get more than 20% growth at the EBITDA level.

So we have achieved that for first 9 months. And similarly, as of now, also hoping to maintain that for the whole year despite the fact that Q3 was slow-and I think in terms of discussions, these have been the issues, these have been the factors. And despite this slowdown in the third quarter, and things have not really gone full scale yet in the fourth quarter. But overall, we see our dealer base, especially is now quite enthusiastic, is investing more.

And I think as we go along, directionally, strategically, that we'll keep throwing more positive free cash flow. And the fact that during this quarter, we also paid a lot of stress payable across all businesses should help us going forward because while stress payables, they were creating certain issues in the underlying business. And most of these issues for the main JISL stand-alone business of India, we had sorted already in March '23.

But during last nine months, we have been working on also solving the issues within the food business, the plastic business we have, the NBFC, which we have, etcetera. So that is all getting worked out so that as we move into the next fiscal, all businesses will be fully stable, would be churning out overall good cash flow.

If I look at cash flow statement for the first 9 months, I think at a stand-alone basis post -- post working capital, net cash flow from operating activities post working capital has been about INR338 crores. And at a consol level, that's about INR190 crores. So good cash flow generation from the operating even post working capital. And as I said, on a net basis, because we have reduced payables almost close -- close by INR300 crores, that has an impact on our net working capital and also on some of the debt, which we had to raise to pay off the net working capital.

So we can now open up for Q&A, right?

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ankit Bansal from AB India. Please go ahead.

Ankit Bansal: Sir, I want to know the kind of numbers you're showing -- showing improvement, but the kind of the kind of faith in the company, how an investor will get about these numbers and the developments? Like, again, I have seen the statement. The pledging is being done somehow. So how that faith will come? I know that company will cover and will make good number because you are number 2 in micro irrigation. I'll come on that point again. But can you answer my first question, sir.

Anil Jain: Yes. You see, in terms of faith or trust or bharosa, only our performance can create that right? And structurally, if you look at it not 1 quarter but over a 2-year period, we have said that we are moving away from government business, which you can see. We have significantly added to the dealer business. That one can see. Continuously, EBITDA has been improving that is positive.

Our working capital cycle, again, if you compare over two years, it has substantially improved. So -- but one quarter, as we are -- this is a structural change which is taking place, right, post the debacle we had in '19, '22, '23. Our company is going through metamorphosis. It's going -- we are trying to create a new Jain Irrigation now. And in that process, while we earlier sorted out the main core company here, we are now addressing also the issues with the food company or other businesses within the group.

And I think we are coming very close to all of that so that we can have more consistent forecasting going forward. Having said that, partly, all our businesses are part of the agri value chain. And with the climate change here or there, somewhere or else, there is an impact, which one cannot foresee.

But structurally, strategically, directionally, and if you really see over the last 2, 2.5 years, where we have started actively again, engaging with the investors, almost out of 100 things I would have said on conference calls or otherwise, about 80, 85 have come -- and 10 or 15, we could not have foreseen or there is a climate change issues, which have impacted.

In terms of the pledge, that was part of -- coming out of the master restructuring agreement we signed with the banks that whatever new equity we had issued as a part of the restructuring that came through as warrant. So whenever that will get converted into equity, it was a requirement by the bank that, that should be placed. So we have not got any new financing or we are not -- promoters have not raised any new funds. This was a requirement under the master restructuring agreement. That is why pledge has increased. There is no other reason for pledge to go up.

Ankit Bansal: Okay. Sir, I got that point. Now coming on to the business, sir. Sir, like micro irrigation, you are such a brilliant player, sir, nobody can touch you. But no progress, just little, little progress like 10%, 5%, not big performance like outperformance like we can see the name of Jan Irrigation everywhere in micro irrigation. You are the number 1 player, sir. How can you not able to capture the market share in that?

I'm not able to understand that -- like government is also supporting micro irrigation as I'm living in New Delhi sir, I have seen a lot of projects, Nal Jal Yojana, micro irrigation, a lot of projects, a lot of farmers are doing greenhouse effect. Sir, why I'm not seeing Jain Irrigation, being the largest player of India, can you please explain, sir?

Anil Jain: Yes. So I think Jal Jeevan Mission is different. That's part of our piping business. And micro irrigation is drip irrigation where you provide straight to the root zone, in that particular business, I can share with you over the last 2, 2.5 years, we have actually been gaining market share in the retail market where you sell to the dealers. And company has taken this policy or philosophy of moving away from the projects, which was very risky and long cash flows. And that is where we are going down. That's why overall, you do not see a big increase.

But retail business, we are actually taking significant market share as far as micro irrigation is concerned. And for some of the other shareholders who have been tracking company more frequently, I can also explain in the December quarter, some of our revenue could have been higher. There is part of micro irrigation wherein Andhra, Gujarat, Telangana and Tamil Nadu, these 4 states, the government places the order on behalf of the farmer. So we don't have a choice but to deal via government but supply to the farmers. This is different than the EPC project.

Now there, we had opportunity to do more business. But knowing of the upcoming elections and knowing that it could mean 1 year of receivables, we did not take that business. So we are very focused on selling through the dealers, collecting money faster. And in that business, as I said, pure retail business selling to the dealers.

Our receivables are hardly 10, 12 days. It's not even that level. So our focus is on creating business and going for the market share, where I will also generate significant amount of the free cash flow because idea is to continue to deleverage the company going forward, right?

This year, stand-alone India business, we almost repaid about INR250 crores plus in the first nine months. So that has been -- we have not done -- there's a lot of good part of the business which is helping us to continue to deliver, and that's what we want to focus on. So we are not really focused on purely revenue, revenue number, but we are focused on increasing earnings and deleveraging.

And I think another year and so on, we continue on that path and where company's net debt-to-EBITDA goes less than 3, between 2 and 3. And that's where the company becomes, I think, more stable, you get credit rating of A minus. And then whatever earnings you have, you reinvest into the business for the future growth. I think that's what we would like to really focus on.

Ankit Bansal: Okay, sir. Now last question, sir, on the food business part, sir, like your Jain Farm Fresh Foods, you have a brand, this -- sir, I have not seen that brand in North India, sir, like in Delhi, in Rajasthan, in UP. It's been popular in like Maharashtra, that side. Why so that, sir, is that -- can you please explain, sir?

Anil Jain: Yes, that's a good question. See, the food business which we have, it's close to almost -- this year will be roughly about INR2,000 crores in revenue. Out of which about INR700-and-odd crores will come out of India and INR1,300 crores from overseas. The INR700 crores revenue, which comes out of India is mostly B2B. You must have seen Maaza -- mango juice. It is produced and supported by Coca-Cola, it's their brand.

But we are major suppliers to Coca-Cola. Knorr soup you have heard from Unilever. We supply to them some stuff. If you look at Ketchup by Nestle, the tomato Ketchup, there we supply them tomato paste. So our business in food in India is primarily B2B, business-to-business. So that's why you don't see directly Jain Farm Fresh as a brand because we supply to other brands. That's the nature of the business.

Ankit Bansal: Sir, any IPO coming year, Jain Farm Fresh?

Anil Jain: I think as a part of possible value monetization opportunity, we will definitely look at it. And we also have private equity in that business who owns about 20% or so. And so in consultation with them, we'll look at that opportunity. But as of now, our focus is to grow the business. I think EBITDA is expected higher this year compared to last year. And next year, we are planning even more EBITDA in that business. As I said, focus is on earnings and cash flow for the medium term and deleveraging.

Ankit Bansal: You can make this food business a big business because if you are supplying to such big brands, you can -- Jain Farm Fresh in North India can become a big brand if you strategically plan it. That will be my last request to you.

Anil Jain: Sure.

Moderator: The next question is from the line of Govind Ranjith from Mott Macdonald. Please go ahead.

Govind Ranjith: I have one question. Only one question. So can you please tell us about your solar business? Like is there any plans to expand?

Anil Jain: As of now, we have kind of decided to freeze that business. We did a lot of solar pump business. Again, it was linked to the government and long payment terms, and that's why we are not focusing on that business. But we are still exploring a possibility whether we can do the solar water pump business in a cash and carry mode. And I think -- but impact, if any of that would come only in next fiscal year. It won't come anything in this quarter.

Govind Ranjith: Okay sir. But in the website, I'm seeing that there are like solar rooftop panels, is that like anything connected to the government vision of providing rooftop panels to the household?

Anil Jain: We have a rooftop panel capacity. I think we can produce somewhere between 60 and 100 megawatts. And government has recently announced just, I think Prime Minister announced a few weeks ago, a much larger program about this. And as that program gets implemented, I think we can use our capacity. And of course, that -- but most -- as I said, most of that business will come through next year, not in the current year.

Govind Ranjith: So my request is please expand the solar business, there is a large -- huge scope in the future as we know in the current market.

Anil Jain: Yes. I think, as I said, this is an important article of faith for us renewable energy. But because of the involvement of the government, we had kind of -- we are more focused on retail business to bring back cash flow and deleverage the company before we get involved again. And the new model with which we want to work is where we remain focused on, as I said, revenues, but cash flow generation is more important. So wherever we see opportunity that we are going to get paid faster, we will definitely go for that business.

Govind Ranjith: So I'm staying in Andhra Pradesh, okay. So, from East Godavari, like how you're planning with the dealers across the country or state -- like in my area, so everyone is using Finolex Pipes, Finolex Drips and all, so when I asked farmers, they are saying that we have Finolex dealers more across this area. We have very less Jain in comparison. So how can we overcome this kind of...

Anil Jain: I think that's a good observation. Actually, our irrigation business in Andhra is really growing quite a lot. I think this year, we are, in fact, growing 80% to 90% in Andhra Pradesh. The piping business, from a smaller base, I think also is growing about 40% or 50% this year. But we are in the process. In fact, I think over the last 3 to 6 months, we have appointed about 25 new dealers across Andhra Pradesh. And we plan to appoint another about 15 to 20 people before end of March.

And the next year, you will see far more footprint of Jain Pipe. When you go around the cities or the villages or the tahsils or mandals as it is called in Andhra Pradesh, you will see more boards of Jain dealers and so on. So we are penetrating, we are improving that structure across India.

Govind Ranjith: Please sir, that is my request because when I asked, they are more interest into Jain because they have -- previously they used to use Jain pipes and Jain drips but because of less dealers and increase of dealers from the competitor, they had to quit but they're interested. I mean they say like Jain is number one good quality pipes but we don't have dealers here. So this is what I want to inform you.

Anil Jain: No, no, that's -- you're right. This is also our experience across wherever Jain product is available through the dealers at most touch points all the way up to the farmer. Farmers prefer Jain as a brand because it is most trusted in terms of quality and fit for purpose, and there are no shortcuts in -- that we have built that reputation over 40 years. So as long as Jain becomes available, people really do not want to buy other brands. And that's the motto we have, right, that maybe over the next 1, 1.5 years, we would be present in every tahsil across India.

So India is about 600 to 800 districts and each district has about 10 to 15 tahsils. So we are trying to be move there over next, as I said, 2 years or so. In the last 6 months, we have spent time at the highest management level, and we have interacted with almost about 2,500, 3,000 dealers, but we need to hit that number 6,000 to 7,000 dealers. And then we would be available every nook and cranny as they say, across the country.

Moderator: The next question is from the line of Raunak Himmatramka from RoboCapital. Please go ahead.

Raunak Himmatramka: Sir, in the previous con-calls, you were talking about the EBITDA run rate of nearly INR1,000 crores. So when can we see these kind of EBITDA run rate in our business?

Anil Jain: No, I think what I said is that we are close to INR600 crores for the first 9 months, and we have indicated that we'll be close to INR900 crores at the start of the year. And we are still anticipating that we'll be very close to that original number despite the low 3Q we had and the growth did not come in Q3.

So the next year, FY'25, of course, would be a 4 figure and a higher number because as we do more retail business, automatically, profitability goes up because net back is better in that business compared to the EPC projects. And also as the business grows, we have better fixed cost absorption because we will be using more capacity. So combination of both -- all of that should result into very good numbers.

And our -- I think we were down to some INR500 crores to INR600 crores 2 years ago in terms of EBITDA. And we are now coming back to this, closer to 4 figures as we speak. But structurally, that's where we'll continue to grow, and that's our primary objective.

Raunak Himmatramka: What is the outlook on the debt part? Like what are our repayment plans in the next 2 to 3 years?

Anil Jain: So if we have a quick look also in our investor presentation, overall debt, which we have. So there are two parts to the debt. One is the India as a business. And most of term debt -- one would call, that would get paid by '26, fully repaid on an average about INR170 crores, INR180 crores that would get repaid.

In addition, we have some 0% NCDs. They are due in '27 and '28. And these -- under the restructuring which we have signed with the banks, we have to -- based on certain collections of sale of some unused assets, etcetera, and some old government receivable, we need to repay about INR350 crores in next few quarters. And so that will go down. And as I said, about INR400-odd crores of the other schedule would also get fully paid.

So that INR750 crores will go down as far as the stand-alone entity is concerned. And that would then leave INR1,500 crores, which is what is called working capital, cash credit and about INR500 crores would be left 0% NCD and -- but they will be falling due in '27 and '28 with those we may not prepay because it is not carrying any interest. But -- and the INR1,500 crores would be a cash credit working capital debt.

As far as rest of the businesses are concerned, international businesses, the food business which we have, which is our subsidiary, there, I think reduction will start -- there won't be any reduction in the current year. The actual reduction will start from the next year.

Raunak Himmatramka: Got it. Sir, I also heard someone had asked about the IPO. So can you just tell me what are your plans related to that?

Anil Jain: I think I would not like to speculate. But I think as I explained, we will have in the food business because we have a private equity investors. And they also desire to exit. And probably the best way would be through value monetization method.

They can, of course, sell their shares to somebody else, and that's also a possibility. But depending on the performance and the market situation, there is an option, right, that can happen. But I think let's talk about that when we come closer to it.

Right now, that business is growing and growing profitably. And that's what matters and that's where our focus is that next year, how do we -- the food business alone, how can it hit number closer to INR300 crores in EBITDA is what our focus is. And this value monetization will address when we come closer to market reality.

Moderator: The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: So first up, I just wanted to understand, I mean INR300 crores EBITDA you're targeting in fourth quarter. Now we are already 1.5 months into it. So are you seeing any kind of impact in terms of -- as we are leading up to the election and election-related code of conduct that you spoke about?

Anil Jain: That hasn't come through yet, right? So we do not know when that will come. As I said, if it comes in mid-March, there could be a question on that number. But if it comes in April and then we are able to run through the full quarter, then we should be closer to that number in the fourth quarter.

Deepak Poddar: Okay. Understood. But as of now, we are not seeing any impact, right?

Anil Jain: As of now, there is no election related impact. As of now, the impact has only delayed start of the season, which I think we were expecting mid-November and December should have been normally stronger, which was earlier year was strong Y-o-Y. And even January had been slow.

But whatever we hear from our dealers across the country, everybody is expecting that orders will start flowing very soon in a consistent manner. As of now, as I said, since about last week of January, pipe business has already picked up, and we are waiting for drip irrigation to also pick. Again, we are already selling, right? But that extra push, which happens usually in the fourth quarter, that has not started yet, but is expected to start very soon.

Deepak Poddar: But what you're suggesting is that in spite of this delayed season, I mean, the pipe picking up maybe by Jan and so would have seen some Jan impact, we are still expecting INR300 crores kind of EBITDA in the fourth quarter, right?

Anil Jain: Yes, because also other businesses are, I think we are expecting them to contribute better, right, whether food or the plastic businesses, which are not directly linked this whole agriculture part.

Deepak Poddar: Okay. Fair enough. And my second question revolves around your debt and interest cost. I mean would you be able to tell me, I mean by FY'24 and by FY'25? And what would be our gross debt level that we might be targeting based on our debt reduction plan? And what would be the interest cost that we might see in fourth quarter and absolute interest cost on fourth quarter as well as FY'25?

Anil Jain: So, I think when you look at finance cost because that's the line which gets printed, right? It has two parts. One is actual interest you pay to the banks on the borrowing and some bank charges and bank guarantee charges, etcetera.

Now that part, as far as India is concerned, that's about close to about INR210 crores, INR212 crores, that should be for the current year FY'24. Then that is for stand-alone JISL India business. Then we have food business, which is about, I think, another INR100 crores or so and then we have a plastic business overseas that is about INR20 crores and odd.

So all said, FY'24 figure is expected to be close to about INR350 crores that includes the interest paid bank charges, finance costs across the world, all businesses put together. So that's about INR350 crores. As next year, we repay some of the debt which we talked about, so it should go down accordingly based on debt -- amount of debt, we are able to bring down in terms of overall net interest, which is out there.

Deepak Poddar: So interest cost in the first 9 months is close to about INR312 crores. So for annually, if you're targeting INR350 crores fourth quarter, I mean, we are expecting it to be as well as INR40 crores?

Anil Jain: No, no. The part of the interest cost, what you see is about almost more than INR50 crores is unwinding of the -- we have the 0% NCDs, right? So as per the accounting treatment or accounting standard, when those NCDs were issued because they are 0%, you take the net fair value in your books.

And then as you go closer in terms of time value or repay some of those then that gets unwound and that comes through P&L, and that gets added to the finance cost. It is not -- we are not paying that out as an interest or anything, but that is the way accounting is done. And that amount is INR50 crores or so for the first 9 months.

Deepak Poddar: Okay. So including that, it would be close to INR400 crores, right? If I have to INR410 crores, maybe for the finance cost for FY'24 as a reported basis number.

Anil Jain: Yes, yes, including that unwinding of that NCD.

Deepak Poddar: Absolutely. And in FY'25, do we expect this INR410 crores, including this NCD impact would come below INR350 crores or somewhere in the ballpark that range?

Anil Jain: Actually, depending on how many NCDs we pay, right, and prepay as required under the agreement. Some of this NCD unwinding costs could be actually higher in terms of the books. But as I said, it is not a cash outflow. It is not net interest outflow. Actual underlying interest in the businesses should be lower by about INR30 crores, INR35 crores because of the loans, which will be in normal course loans, what we will repay, we should save about stand-alone another INR20 crores, approximately. Another INR15 crores or so into food and other places. So INR35 crores to INR40 crores reduction in actual interest cash outflow would take place next fiscal.

Deepak Poddar: Fair enough. I got a fair understanding. That's it from my side. All the very best.

Moderator: The next question is from the line of Sanjay Kohli from Gold Stone Capital. Please go ahead.

Sanjay Kohli: Mr. Jain, question on capital employed currently around INR9,600 crores. Is there any scope for identifying noncore assets and selling them so that we can have some better measures of profitability?

Anil Jain: Yes. I think we have identified some parcels of land we have, which -- but I think the reduction because of sale of parcel of that land is going to be INR150 crores, INR200 crores. There is another -- as I talked about earlier in the call, there is about this INR900 crores, which is linked to the government receivables. As they come back, that will go into the deleveraging, etcetera. So that will further improve the whole capital employed.

Beyond that, as we speak, we have, as I said, investment into a subsidiary, this Jain Food Processing, we also have investment into Rivulis which is overseas entity along with the

Temasek, which came as a part of the transaction we did last year, and we reduced our debt by INR3,500 crores as a part of the transaction.

So some of this, what you see on the balance sheet, is invested into food company or overseas Rivulis Company. And as and when those value monetization's happen, that will reduce that capital and it will come back to the parent, which parent can use to deleverage and this government receivable and some of the surplus assets together can reduce overall capital employed by another, as I said, INR900 crores government receivable and another INR200 crores, INR300 crores linked to the surplus assets that INR1,200 crores. So INR1,200 crores that. About INR1,200-odd crores is these investments. No, actual investment, in fact Rivulis itself is INR1,200 crores and food would be also another substantial sum.

And -- so as things are evolving over the next couple of years as we go along, you will see a substantial change into the balance sheet. But from where we came from '21, '22, where it was so difficult going through the restructuring process, the fact that we -- today, we have about INR5,000 crores, INR5,500 crores of net worth, company is quite strong, but we definitely need to improve ROCE substantially. Also part of the net worth, I would like to just bring to everybody's attention, is the company, because of the nature of the business we have but this is a large number of farms in the demonstration areas, thousands of acres.

And under the fair value method that land has been -- while that particular land creates the business opportunity, the farmers come, the technology gets developed. But because it is valued so highly, I think the land is valued about INR1,600-odd crores. You don't immediately see any particular return from the land because that's for really long term. That asset has been created for next 20, 30 years for a company to survive, grow and convert majority of Indian farmers to drip irrigation as against -- it's hardly about 10%, 15% now.

So when you really analyse the balance sheet and maybe at the March balance sheet number or annual report, we will provide also to shareholders this in a more clear way that where there's a perception, there is a lot of inefficient assets. As I said, partly it's land, partly these are two big investments and partly it is the government receivables.

So government receivables, we are addressing in next 12 to 18 months, most of that will go away. As I said, land -- part of land we can monetize, that would be to the tune of INR250 crores, INR300 crores. And the rest, the value monetization for these two investments we have or subsidiaries or whatever we have, that will take some more time.

Sanjay Kohli: Just a follow-up. The best case scenario for the government receivables will be 12 months from?

Anil Jain: 12 to 18 months.

Sanjay Kohli: 12 to -- so 12 to 18 months is the best case scenario? It could be more than that, but not less.

Anil Jain: Yes, it can't be less because this project needs to be completed before we receive the money. So 12 to 18 months, I think, is a good estimate. Give and take, maybe there could be another 6 months, but we don't expect to go beyond that. This has been on the books one way or the other. Earlier amount was much higher. It has come down. But I think this year, most of these projects will get completed. And therefore, we expect starting April '25, during that year, majority of the fund should come back to us.

Moderator: The next question is from the line of Ankit Babel from Subhkam Ventures. Please go ahead.

Ankit Babel: Actually, my phone disconnected. I'm sorry if I'm asking any repeatable question. Sir, my first question is on the debt part. Is it possible -- I just heard that you are -- you said something on the payment side. But just wanted to know, is it possible for us to become completely debt-free, maybe in the next 2, 3 years' timeframe considering potential realization of our investments in the Rivulis one or from internal accruals reduction in working capital? Any -- from all these sort of, is it practically possible?

Anil Jain: In terms of -- so assuming, right, if these monetization's do take place during that period of time, then it is definitely possible. Because, one -- as I said, recovery of some of these receivables as well as some of the sale of assets should reduce part of the debt. That's the first part, which we are already focused on and working on.

The second part is the value creation opportunities. Then third is going to be the -- out of the EBITDA, which we generate, right, in FY'25, '26 and '27, all these 3 years, we expect good amount of EBITDA of that about more than 60% should be available to deleverage. So it's a combination of earnings and free cash flow, realization of these old receivables and some of the surplus asset sale and value monetization.

In that, I think in that priority, all 3 together, definitely would entail that the possibility that company on a net debt basis can become debt free. And now whether it happens between 2 to 3 years or 3 to 4 years, depends on so many factors which are going on.

But structurally, right we, as a company; we, as the management, has -- have that as an internal target that we should strive. We have been to a point where our debt to EBITDA was 7, right? And currently, it is around 4. The first target is to bring it down less than 3, then less than 2 and then eventually go to a point where we are totally deleveraged.

Ankit Babel: Okay. And sir, my second question is on the growth of EBITDA going forward. As you mentioned that you will be ending somewhere around INR900 crores this year. So the next 2 years, can we grow at, I mean, like INR1,200 crores or INR1,500 crores EBITDA? Or what's the outlook there, sir?

Anil Jain: So I think we would like to say in terms of forward-looking statements where we are trying to go is that the underlying revenue, right, should go at high double digits. So that is north of 10 -- somewhere between 10% and 20%. And whenever -- because of the fixed cost absorption and product mix being changed going forward, if we are able to grow revenue, let's say, 15%, I think EBITDA will grow at about 20% to 23%. There is going to be that much of an additional EBITDA growth possible.

So structurally speaking, over 3 years, the idea is that grow the revenue between 15% and 20% and grow the EBITDA between 20% and 25%. So I think that's the framework within which we are working. And again, as I said, focus is on better product mix and revenue into the business, which also gives you a better cash flow.

So you're trying to achieve both of these things, right? So it's not just about growth of EBITDA, but you have a twin objective of -- that you want to grow EBITDA, but also convert most of that into free cash so that you can deleverage. And so you need to balance both.

Moderator: The next question is from the line of Rambabu from Ramtech. Please go ahead.

Rambabu: Actually, the receivables, we are hearing from last so many years, almost like 6 years, we are hearing the same thing. But what are the concrete steps? Still, we are there for around 2 years' time.

Anil Jain: I think that's a valid observation you have. Our business, by its nature, over long period because we are providing irrigation solutions to the farmers, government gets involved, we have long receivables. And then since we started talking about '19, '20, that we will start bringing down the receivables, then COVID hit and projects could not get completed. So it's got another -- delayed by another 2 years.

But there is a concrete improvement in the receivables. And as I said, as we are more focused on the dealer business, now we're selling more, the receivables are really low there or within nominal -- norm business. And once we get these legacy receivables, and as I said, I already said that over the next 2 years, maybe between 12 to 18 months, but maximum within 2 years, most of those receivables come down then our receivables would be like any other company, like 60 days receivables or whatever, then we don't have to discuss receivable.

But this is part of the legacy. It has taken longer than we anticipated but it is definitely happening. And some -- I think if I look at '20 and now, we have reduced these government receivables from -- by at least INR400 crores to INR500 crores. So that much of improvement has been achieved. It is not that nothing has been achieved. But as much one would have liked has not happened. I'm acutely conscious of that. It is on our radar as a prioritized item. And you'll start seeing good results on that definitely in next fiscal.

Rambabu: And sir, is there any interest we will get it for -- along with the receivables? .

Anil Jain: No. When you deal with the government, they don't pay interest on the delayed part.

Moderator: The next question is from the line of Nirag Shah from Exemplar Investments. Please go ahead.

Nirag Shah: My question was regarding Jain Farms. In reply to one previous participant question, you said in current year, you expect domestic food business to touch INR700 crores in size, which is majorly housed under Jain Farms, if I'm not wrong. So if I look at it last fiscal, under JFFFL, domestic revenue was INR356 crores. So my question was if we are expecting such an aggressive growth in domestic business, are we expecting equal significant slowdown in export business? As for 9 months, I don't see any such significant growth in JFFFL consolidated revenue.

Anil Jain: Yes. So I think when I talk about INR700 crores JFFFL, that is JFFFL India business. So what we sell in India and export from here. So, JFFFL has two parts. One is we have 4 overseas subsidiaries, right? So when I talked about that this year, we are assuming, we're close to, let's say, INR2,000 crores, INR700 crores will be done by JFFFL India, including domestic sales and export and about INR1,300 crores will be done by Jain Farm Fresh overseas subsidiaries in U.K., in Turkey, U.S.A. and Belgium.

Nirag Shah: So what was the size of this food business that you are talking about domestic last year?

Anil Jain: So last year, the domestic business overall JFFFL India was about INR660 crores. And from INR660 crores, we are looking to grow maybe INR715 crores INR720 crores, somewhere. So it's about -- I think, eventually, you will see about 9% to 10% growth.

Moderator: As there are no further questions from the participants, I would now like to hand the conference over to management for closing comments.

Anil Jain: Thank you all. Thank you for the interest in spending time on this call. As I said, some of these external situations like climate change does impact our business. And our constant endeavour and effort is that despite that, right, as we go along, try and create risk mitigation, we plan to grow more of the piping business into plumbing side and other sides so that it is less impacted by agriculture cyclicality and seasonality.

So that's what we want to do. We want to grow more food processing business. Again, the idea is to derisk the direct focus on the monsoon or untimely rains or change in the climate. So that's what we are trying. But again, larger focus is to deleverage over the next few years. Focus is to continue to grow revenue in double digits and EBITDA to be higher than double digits and improve the quality of earnings through making more of EBITDA come into free cash flow.

And it's not an easy thing to do from where we have come from. Just in March '22, we signed the restructuring. March '23, we sold the overseas piece. So these are series of the events which have taken place. And we are definitely moving in the right direction with a lot of confidence, a lot of clarity in the vision and also good execution. Some of these fewer financial results on what we are trying to do, would become more visible over the next 1 or 2 years.

But it's -- as I said, this is Jain Irrigation 2. We started in 1986, and we're trying to do this in a very different way than what we have done for all the last 30, 40 years. And next 20, 30 years would be very different than this past year, where we want to move with capital-light model, better free cash flow model. And -- but we are the largest drip irrigation company in India. We are among the top few in the piping business. In tissue culture, biotechnology, we are really growing leaps and bounds on a smaller base, but it's a very profitable business. Our food business is also now growing nicely. So a lot of things going for the company, going forward as well. And we look toward to your continued support in the process. Thank you.

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