

Jain Irrigation Systems Limited

Quarter Four and Annual Earnings Conference Call, Financial Year 2009

May 5, 2009

Moderator: Good afternoon ladies and gentlemen. Welcome to the Jain Irrigation conference call hosted by IDFC-SSKI Securities Limited. I am Priyanka, the moderator for this conference. For the duration of the presentation, all participants' lines will be in the listen-only mode. After the presentation, the Q&A session will be conducted for participants connected to International Bridge. After that, the Q&A session will be conducted for participants in India. I would now like to hand over to Mr. Nikhil Vora. Thank you and over to you sir.

Mr. Nikhil Vora: Thanks Priyanka. It is a pleasure to host the conference call for Jain Irrigation to discuss the FY09 and quarterly results for Q4. We have with us representing the management Anil Jain, Managing Director; Manoj Lodha, CFO and he joins in from Israel; and Deepak Kundra who is the Head of Investor Relations. I will hand it over to Anilji to start with the opening remarks and then we can open the floor for Q&A. Over to you Anilji.

Mr. Anil Jain: Thanks Nikhil and welcome to all of you. In terms of, you know, when we are reviewing the results, I just would like to state that the Company has had a very good year. The business has grown 30% for the entire year despite certain amount of deflation in the second part, especially due to lower polymer prices. So, 30% has been good growth. Our main businesses are three; micro irrigation, piping, and food processing and micro irrigation this year has constituted almost about 44% of our sales as against last year it was only about 36.5% and this is the business which is more profitable where EBITDA margins are, you know, above 30% and that is growing. So, as Company grows and this product mix changes, overall company's, you know, profitability will continue to improve. For some of the investors, you know, who might not know more about the Company, just to give a brief background, you know, we are mainly focused on providing various products and services to the farmers and we also buy back from them certain produce, which we add value and sell domestically and overseas. So, ours is a farmer-centric business model and it has been growing very well. I think between 2003 and 2008, we have almost grown more than 40% on a compounded basis on top line as well as bottom line in terms of earnings.

Coming to the current scenario, the year which we just passed, our micro irrigation business grew almost 54%. Had it not been due to this code of conduct guidelines in late February and March where things slowed down because of the election duties of the various government offices at state level, we should have done more, but even then 54%...54.4% for the entire year has been a very good growth. Our piping business has grown about 15% and as I said, here the value deflation in terms of raw material prices had to be passed on directly to the end customer, so on that background 15% is a good growth. The food business where we essentially make fruit pulp and puree and also dried onion has grown for the entire year at about 33%. So, that has shown robust growth in the current year and combined for the whole year, we grew about 29.7%. For the quarter, MIS business continued to maintain its growth. We were at about 36% growth in MIS. Piping grew about 7%, but agro was less because this is seasonal business and, you know, there are quarters where, you know, the customers tend to buy products faster. So, this business cannot be really measured on quarter-to-quarter basis. So, even though for the year it grew by 33%, this particular quarter it was less by about 7%. This also reflects partially some delay in off-take in the contracts in the food business by our European and US customers who are, you know, because of uncertain conditions there, they are trying to reduce the amount of inventory. So, we haven't had any cancellations of our export orders of the contracts which we had entered earlier, but some of the shipments have been delayed from March quarter to the June quarter. That is the only difference we have seen in that part of the business.

In terms of Company's total outlook going forward and the current environment, we believe because of, you know, shortage of water in India, low productivity, we will continue to have very significant and sustained robust demand for agriculture input products, micro irrigation, PVC pipes, etc. We are also seeing good traction of growth for our customers like Coca Cola whom we supply mango pulp. They make juice out of it called Maaza brand in India and they have indicated to us that Maaza is growing at 25% to 30% on annual basis for them. So, that

gives us good clarity that going forward we should continue to have good demand on food processing products despite certain slowdown in export markets. In terms of...that is in terms of the growth. Company has been making, you know, the CAPEX to cater to the new growth. Last year, we did almost close to 300 crore rupees investment. In 09-10, we plan to invest about 190 crores. Almost two-thirds of that, about 65% would go into investments in micro irrigation in terms of new production capacities and remaining will be spent in piping as well as food processing division. Most of the CAPEX is for the additional production capacity. So, Company will maintain its growth. Company, in MIS business, will also grow outside, you know, our traditional states like Maharashtra and Andhra. We have seen very good growth in Tamil Nadu. We will be seeing good growth in Himachal Pradesh, Chhattisgarh, Haryana, and so on. So, overall, across various states, business traction looks good. The first quarter might be slow because of this whole election story, but I think from second quarter, next part of next quarter business should pick up very well. So, that is in a nutshell about the Company.

In terms of our liquid situation and financial situation, our requirement of funds for the next year for long-term CAPEX is already tied up with the loans already approved by IFC, that is a part of World Bank Group and apart from that Company should be generating enough profits, to be able to sustain any need of the funds. We have enough access to the funds from the working capital..., and we have recently been able to borrow in the commercial paper market at single digit interest rate and that should bring down our overall interest rates also.

So, in all, this is the background and Nikhil, I suggest now we can open the call for Q&A.

Mr. Nikhil Vora:

Yeah. Priyanka...

Moderator:

Thank you very much sir. At this moment, I would like to hand over the proceedings to International moderator to conduct the Q&A for participants connected to the International Bridge. After this, we will have a Q&A session for participants at India Bridge. Thank you and over to you Ayesha.

International
Moderator:

Thank you Priyanka. We will now begin the question and answer session for participants connected to the International Bridge. Please press 01 to ask a question. Participants, to post a question, please press 01. I repeat, participants from International Bridge, to post a question, please press 01...please press 01 now. Thank you. Priyanka, at this moment, there are no questions from participants at International Bridge. I would like to hand over the proceedings back to you. Thank you.

Moderator:

Thank you Ayesha. We will now begin the Q&A interactive session for India participants. Participants who wish to ask questions, please press *1 on your telephone keypad. On pressing *1, participants will get a chance to present their questions on a first-in-line basis. Participants are requested to use only handsets while asking a question. To ask a question, please press *1 now. First in line, we have Mr. Nikunj Doshi from Envision Capital. Over to you sir.

Mr. Nikunj Doshi:

Yeah, good afternoon everyone. Just wanted to get some balance sheet data, can you just give us some numbers on debt and inventory that we are holding and debtors, etc.

Mr. Manoj Lodha:

Manoj here. The standalone basis, the results which we announced, we have about 1400 crores of debt, both within long term and short term, roughly 700 crores is the long term and 700 crores is short term. Most of the long-term debts are payable over a period of three to eight years. That is what you are looking for, anything else?

Mr. Nikunj Doshi:

Inventory...

Mr. Manoj Lodha:

Hello...

Mr. Nikunj Doshi:

Inventory, inventory.

Mr. Manoj Lodha:

Yeah, the total inventory is about 57 days of sales as of March 2009 for the standalone entity and overall, the net working capital has also improved over the last four quarters and by March, our net working capital cycle is close to 138-139 days.

Mr. Nikunj Doshi: Okay. And in terms of the consolidated numbers, means any hint as to what it looks like?

Mr. Manoj Lodha: I think the numbers are coming around closer to 3000 crores on a consolidated basis, but still we have to go through an audit process and somewhere we are trying to, you know, get our accounts audited and consolidated in June. So, we will be out with the consolidated results then, but at this moment just on a top line basis, we believe the top line should be around 3000 crores.

Mr. Nikunj Doshi: But profitability wise, do we see the international subsidiaries contributing to bottom line or it will be a drag?

Mr. Manoj Lodha: I think at this moment, I see there is an absolute addition to the EBDIT level. They would contribute to the EBDIT level and net level, because some of the subsidiaries are making profit, particularly the new venture which was in plastic sheet 1130 they have some small loss. Also, some of our marketing subsidiaries because they are certain marketing expenses they have to incur for the product they sell from India. Overall, we believe we don't expect much addition to the net from the subsidiaries. We should be breakeven, but as I said EBITDA should be positive from these companies and this year was in a lot of volatility in currencies, that is why at this moment it would be very difficult for me to tell you the real impact, but operationally I can tell you that EBITDA would be positive and on a net without any impact of foreign exchange, they should be breakeven.

Mr. Nikunj Doshi: Okay. And in terms of forex hedging, what is the current hedging that we have?

Mr. Manoj Lodha: We have sold let's say for the next four years about 13% of our exports. Roughly in terms of dollar terms, it is 67 million dollars. Majority of that would be coming in 2013....12 and 13, so we don't have immediate outgo on that account and the Company, as I said, this year also we made about 110 million dollar exports...sorry, close to 100 million dollar export. So, we have export and part of that we have sold assuming that we felt that at some point of time rupee would definitely appreciate with the dollars and that is the current exposure right now we have.

Mr. Nikunj Doshi: Okay. Thanks Manoj.

Mr. Manoj Lodha: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Avinash Agarwal from Sundaram BNP Paribas. Over to you sir. Mr. Avinash, please go ahead.

Mr. Avinash Agarwal: Hello...

Moderator: Yes sir, please go ahead.

Mr. Avinash Agarwal: Yeah. Thank you sir, thanks for taking my question.

Moderator: Please go ahead sir.

Mr. Avinash Agarwal: Yeah. Sir, could you just give your foreign debt, out of this 1400 crores, what will be foreign currency debt?

Mr. Manoj Lodha: Foreign currency debt right now 65% of our long-term loans are in foreign currency, so roughly let's say about 110 million dollars is in foreign currency, mostly dominated by dollar, US dollar.

Mr. Avinash Agarwal: And you said that forward cover on your exports you have taken it for six?

Mr. Manoj Lodha: For the next four year exports, we have certain options. We have sold some export for next four years which is around, even assuming the current level of exports and marginal growth, it should be around 13% of the export sales for the next four years and out of that, the major or let's say the later part will have more exposure. In the coming year, this year and next year, we don't have much exposure.

Mr. Avinash Agarwal: And at what price have you taken these options, I mean...

Mr. Manoj Lodha: There were at different levels, you know, somewhere between 40 to 48 and we have different trades, different levels, but I think most of these average out at about 43-44 rupees.

Mr. Avinash Agarwal: No, no, in fact...

Mr. Manoj Lodha: Hello...

Moderator: Are you done with your question sir?

Mr. Avinash Agarwal: Hello sir...

Mr. Manoj Lodha: Yes.

Mr. Avinash Agarwal: Hello...

Mr. Manoj Lodha: Yeah, I can hear you.

Mr. Avinash Agarwal: The interest rate had gone up this quarter, 38 crores to 48 crores if we see quarter on quarter, what is the reason for this sharp increase sir?

Mr. Manoj Lodha: Basically, as I said, you know, we saw some slowdown in collection, particularly in the subsidy because of the government people engaged in all the election process, so the utilization basically was higher during this quarter and we are also expecting certain equity infusion from IFC in this month and also the warrants. So, because this has been delayed, the utilization was a little bit higher, but now as we go ahead, after this rating from Fitch, we already, you know, Mr. Jain has mentioned that we have started expressing to the...

Moderator: Hello Farida...

Mr. Manoj Lodha: Hello...

Mr. Avinash Agarwal: Yeah.

Mr. Manoj Lodha: Yeah, so we have started expressing, so in itself because of the little bit higher utilization in the fourth quarter, we had higher interest also and I think the interest cost since then, you know, has started falling, so we are already now seeing the impact of reduction in interest. So, that is the status on the interest.

Mr. Avinash Agarwal: What would be the kind of interest for next year?

Mr. Manoj Lodha: Yes.

Moderator: Thank you very much sir.

Mr. Manoj Lodha: Hello...

Mr. Nikhil Vora: No just hold on, he just asked a question.

Mr. Manoj Lodha: Yeah, can you repeat the question.

Moderator: Sir, he has dropped his line sir. Next in line, we have Mr. Shekhar Kedia from Barclays Wealth. Over to you sir.

Mr. Shekhar Kedia: Good afternoon sir. Thank you for taking my question. In this quarter, in the industrial products, last year you had an EBIT margin of 14% while this year you have an EBIT margin of 25%, and you mentioned that you faced some problems in the agro-processed product side. So, where has this margin increase come from sir?

Mr. Manoj Lodha: The margin has increased in our onion dehydration business which we club under the industrial segment. Particularly, this year, because the realization was good, higher than the last year, we also had a lot of efficiencies coming and also some of the...some of the efforts we made on, you know, on the energy cost, saving the energy cost, all put together you see that the margin

in onion division has gone up and that is the reason the industrial product segment margins have increased from 14% to about 25%.

Mr. Shekhar Kedia: Okay. Do we see margins stabilizing at these levels going forward?

Mr. Manoj Lodha: Margin I believe would stabilize may be in a band, not exactly, you know, like 25%, but somewhere between 22% to 25% in agro processing, particularly in onion because we have seen some increase in onion prices in the last two-three months. So, that may take away some small part of profits, but in a normal situation, we believe the margins should be strong in this division.

Mr. Shekhar Kedia: And sir, you mentioned that agro process foods we grew only by 7% while onion performed. Which product was a laggard there, like you said mango performed well, onion performed well, so which product was a laggard, like why only 7% growth, I mean in the fourth quarter?

Mr. Manoj Lodha: Basically, you see, part of our food processing exposure is also on the export and as Mr. Jain said, you know, we have seen some slowdown in the off-take from our overseas customer. While there is no demand destruction as such, order position is there and the customers have already committed, but I believe it is more to do with their end product movement and people have now, because of the slowdown, started, you know, cutting down on their inventories and things like that. Because of that, we saw there is less off-take. That is the reason, but as I said, for the year, we made a good growth and even next quarter or the next year looks to be okay in terms of the order book in the division.

Mr. Anil Jain: You know...Anil here. You know, as I said in my opening statement that especially for agro process division, we should not look at the results on a quarterly basis and depending on the customer needs and a particular seasonality aspect, the off-take by customers would vary from quarter to quarter and also production changes based on the availability of raw materials, so fixed cost absorption does change. So, if you look at overall for the year, you know, business in agro processing grew by 33% which was a significant growth which has taken place and even for the coming year, we see, you know, already good orders in hand and are good growth opportunities.

Mr. Shekhar Kedia: And just wanted to know are we like facing some...like what are the feelers from US and Europe, you said good orders, you are seeing good orders from US and Europe, like is there some pricing pressure or less off-take in demand expected?

Mr. Anil Jain: As I said, you know, some of the demand, I mean you already saw from March, that some of the already ordered product was delayed in shipment. So, instead of taking in March quarter, those people will take it in maybe June and September quarter, but no orders were cancelled, so we have not seen any pressure or we didn't renegotiate any prices. Now, if you look at two of our major products, one is mango and another is onion, in mango pulp, India is the major country which is supplying to the world, so, therefore, you know, all prices given by India as based on a given raw material price and exchange rate at given point of time. So, we have not seen that kind of pressure. Now, for the current year, mango processing has just now started, so based on the current raw material prices and current exchange rate, new prices would be fixed. So, therefore, you know, this business is usually, everybody, you know, adds, the cost, the fruits margin and then sales, so therefore, we don't expect too much of margin pressure. There would be a certain amount of seasonal change which could be there, but otherwise as Manoj said, our margins in this division now are coming at a higher level of a band and we expect them to stabilize towards higher level rather than lower level of the bank.

Mr. Shekhar Kedia: Sir, could you tell me the order value that you have at present?

Mr. Anil Jain: At present, we would have in onion business about 75 crores and then about fruit business, about 30 to 40 crores approximately and, you know, our major business in fruit pulp is domestic which we are doing with Coca Cola. There, you know, we are their strategic suppliers, so every year the orders do come in. This year orders should flow in maybe within a week. Last year, that was 80 crores. We expect more orders this year. So, if you take that into account, the order book for both divisions put together, I would say would be close to 200 crores.

Mr. Shekhar Kedia: Okay sir. Thank you.

Mr. Anil Jain: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Mayur from Wealth Managers. Over to you sir.

Mr. Mayur: Good afternoon to Mr. Jain and Mr. Lodha.

Mr. Manoj Lodha: Yeah.

Mr. Mayur: Sir, I just wanted to understand, you raised the point that the EBITDA margins in micro irrigation as a division is higher, so as we go ahead we are going to see higher profitability which is coupled with higher growth, but that segment also is higher working capital intensive and what level do we actually, you know, see internal generation from this division sustaining the cash flows for the company?

Mr. Anil Jain: I think, you know, if you look at overall business and first of all as a company, we expect March 2010 to be free cash flow positive for the company and micro irrigation also we expect in March 2010 to be free cash flow positive. Yes, it is true it is working capital intensive business, that is the nature of the business, but as we are going along, as we are becoming more pan Indian and seasons are shifting and as we have more equal sales across different quarters, that situation will improve. Partially, what you usually see are end of the year numbers and they tend to kind of squeeze the data because good part of micro irrigations used to take place only in the second part of the year, but now that situation is changing as I said as we do more crops and more regions and eventually in the next couple of years, you will find that sales are almost equal across different quarters, so that should change, but all said and done, company is moving to be free cash flow position in March 2010.

Mr. Mayur: Okay. And sir...

Mr. Manoj Lodha: And this...

Mr. Mayur: Yes sir, sorry, you were saying something.

Mr. Manoj Lodha: Yeah, just to add, Manoj here, we are also working with couple of the private sector and public sector banks so that once the supplies are made to the farmer or to the dealers, company should have an access to sell this receivable either to the bank so that, you know, we get the cash flow, even though the cost will be on our account, but at least we get in a cash flow and in current context, you know, for growth, cash flow matters, so that model we have been implementing and last year, we actually at the fag end, we had a big success and we already have more than 200 crores of bill discounting limit which actually goes into the bank's book, you know, they treat that in a priority sector lending and they keep this receivable on their book rather than our book and that kind of a new arrangement I think for the new growth or the higher growth we are talking about, we should be able to, you know, recover faster and that is why, as Mr. Jain said, we look for even a positive cash flow or a free cash flow in micro irrigation division this year.

Mr. Mayur: Sir, in that perspective, just one small understanding was our revenue, means for micro irrigation basically out of 100 rupees, the farmer actually shells out only 30 to 40 rupees, right.

Mr. Anil Jain: Actually, you know, farmer shells out 50 rupees...

Mr. Mayur: Okay.

Mr. Anil Jain: ...and 50 rupees he expects to receive from the government, but when we invoice, we invoice for 100 to the farmer...

Mr. Mayur: Okay.

Mr. Anil Jain: ...and he is supposed to collect that from the government and so, you know, our entire receivable is usually through our dealer, that is from the entire 100 and not partly.

Mr. Mayur: Sure.

Mr. Anil Jain: So, when these banks will take over that financing, they will also take over financing related to government office.

Mr. Mayur: So sir, why we cannot operate like, you know, let's a dealership company, you know, where the receivable risk gets shifted to the dealer rather than to the company?

Mr. Anil Jain: I do not know whose examples you are giving because your voice is faint.

Mr. Mayur: No, I am saying in general the way the dealership conceptual works is, you know, the receivables are at the risk of the dealer rather than at the risk...

Mr. Anil Jain: No, I don't think I talked about the risk. The receivable risk vis-à-vis the farmer remains with the dealer. The risk vis-à-vis the government, there is no risk because government preapproves the disbursement of this before we will supply the system and if you see, you know, last 20 years since we are in business, we haven't had any defaults or problems in collecting our receivables and as you say, these dealers are independent business no and the risk is on the dealers.

Mr. Mayur: No sir, I mean to say risk in terms of even the delay, I mean the elongated working capital, but necessarily default.

Mr. Manoj Lodha: No, it is not a question of a risk here, you know, delay, there is no delay. This is the nature of the business, there is no delay. The nature of the business is such that part of the money which comes from the government does take its own time and nobody is going to finance that and now we are getting banks to finance it as a part of the package.

Mr. Mayur: Sir, from FY10, we expect this to be net contributor, cash contributor to the company?

Mr. Manoj Lodha: Yeah.

Mr. Mayur: Okay. And sir, one last small question, we have...from balance sheet perspective, we have PE pipes and sprinkler for irrigation as one product line in the manner in which we describe the...detail the product bifurcation, now how much of that goes to hi-tech as a segment and how much of that goes to industrial product?

Mr. Anil Jain: You know, this segment is due to a certain listing requirement. In terms of the way we operate business, we operate these three businesses, one is micro irrigation which includes drip irrigation as well as sprinkler irrigation. There is a piping business which includes PVC and polyethylene pipe. There is a food processing business which includes onion as well as fruit pulp. In terms of segmentation business, as you would have seen the note there, segment includes...the agri input business includes micro irrigation and the pipes which go into agriculture and industrial product would include fruit, onion as well as the pipes which go to nonagriculture sector.

Mr. Mayur: Okay, okay. Sir, one last thing, piping you said grew by 15%, that is on a net basis or is it on a gross before discount?

Mr. Manoj Lodha: This is...all our sales numbers are on net basis.

Mr. Mayur: Are on a net basis. How has the gross performed over there?

Mr. Manoj Lodha: You know, commissions are same as last year to this year, there is no change on that basis.

Mr. Mayur: Okay. Sir, I will come back with the questions later sir. Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Nillai Shah from Morgan Stanley. Over to you sir.

Mr. Nillai Shah: Hello Mr. Jain.

Mr. Anil Jain: Yes, hello.

Mr. Nillai Shah: Sir, on the MIS segment, what are your expectations for growth in financial year 2010?

Mr. Anil Jain: You know, we don't normally give that kind of a firm guidance...

Mr. Nillai Shah: Okay.

Mr. Anil Jain: ...in terms of growth, but based upon what we see and know, in terms of the various programs being announced by various states, like in Himachal, there is a big program for greenhouses, micro irrigation, there is a sprinkler project in Andhra Pradesh. World Bank is funding the projects in Tamil Nadu, etc. Based on our visibility of those projects, we think we should be able to maintain a significantly high growth rate. You know, our growth rates over the last few years have been between 50% and 60%.

Mr. Nillai Shah: Right.

Mr. Anil Jain: But every year as we grow, we are moving on to a higher base and currently there is certain amount of pricing deflation.

Mr. Nillai Shah: Right.

Mr. Anil Jain: If we keep that in mind, I think growth rate in excess of 40% should be certain for this division. How much more we are able to do, you know, depends on so many other factors.

Mr. Nillai Shah: Right. And sir, in terms of this 40% that you are telling us, would it include the 7-8% price hike that you have taken, assuming that at some part during the quarter that price hike will have to be reversed?

Mr. Anil Jain: You know, price hike, you know, could be given for a seasonal, you know, before the start of the season and it would change again into the next season which is the second part of the year...

Mr. Nillai Shah: Right.

Mr. Anil Jain: ...depending on the situation, then the raw material prices at that time, etc.

Mr. Nillai Shah: But is there...

Mr. Anil Jain: When I am talking about this growth, that is based upon the kind of input we have from, you know, all of our, you know, various states in terms of how much they will be able to do more in those states. So, price is...whether this is the price or it goes down by 5% we still should maintain this growth rate.

Mr. Nillai Shah: Okay. And sir, coming to agro, apart from mango, what are the other crops that you are looking at over the next say one or two years?

Mr. Anil Jain: I think this year we still remain focused on mango, while we do also banana, papaya, guava, and others, but another product which we have set up already capacity is pomegranate, but unfortunately last two years the availability was very limited due to certain decreases on that product in Maharashtra and Andhra. This year, if that situation changes, pomegranate would become an important crop. We are working with some of our customers on sweet lime as a product. So, these two I think would be new products, but going beyond pulp, we are also growing in this instantly quick frozen fruit products, again starting with mango and maybe we will do some strawberries and things like that.

Mr. Nillai Shah: Sir, just on a one-year basis, where do you see the growth coming in for agro because mango will have some sort of a limitation right to growth?

Mr. Anil Jain: Actually, right now, we are seeing mango growing quite a lot and what you have to also understand this season for mango, there is a short season and a flush season.

Mr. Nillai Shah: Right.

Mr. Anil Jain: Last year was a short season. This year is going to be...expected to be flush season, especially for Totapuri...

Mr. Nillai Shah: Okay.

Mr. Anil Jain: ...which is the mainstay of our product line. Now, so therefore, more Totapuri would get processed, more would get sold this year. Alphanso availability is limited, but from all indications we have and this also, my growth depends on the prices and, you know, products have just started arriving this week, so one has to see over the next few weeks how the prices will go, but in terms of quantity need from our customers, especially in India and Middle East, they have indicated good growth rates for us.

Mr. Nillai Shah: Okay. Thank you sir.

Mr. Anil Jain: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Suman from Religare Capital Markets. Over to you sir.

Mr. Suman: Good afternoon sir.

Mr. Anil Jain: Good afternoon.

Mr. Suman: Just a few questions from the subsidies, the company has increased their subsidies as compared to the last quarter in this quarter, any announcement has been made on that?

Mr. Anil Jain: You know, the various governments on the eve of election or otherwise on the eve of their budgets...

Mr. Suman: Yeah.

Mr. Anil Jain: ...have announced an increase in the subsidy, for example, some states they have said instead of 50% it will become 70% and so on, but that is usually effective next budget. So, that would...it does not have an impact on the quarter. It would have impact only in the current financial year.

Mr. Suman: Yeah, that is what I mean, the subsidy will take effect from the current financial year?

Mr. Anil Jain: Yeah.

Mr. Suman: And also we have heard that the government, some government is considering for subsidy on the replacement item also, so is there any plan or...is there a concrete plan on that?

Mr. Anil Jain: Yes, you know, earlier...you know, this system usually takes replacement over next about five to seven years, you know, farmer has to replace...

Mr. Suman: Yeah.

Mr. Anil Jain: ...almost two-third part of the system. Earlier, government was not providing subsidies, but recently Government of India has amended a rule and has informed the various states that they would be amenable to providing, you know, subsidies for replacement after five years.

Mr. Suman: So, which states have come into front on this replacement subsidy?

Mr. Anil Jain: No, this is done by the center, the policy is laid down by the center, states only implement it.

Mr. Suman: Okay, okay.

Mr. Anil Jain: So, once it is decided by the center, it is final.

Mr. Suman: And sir, in the onion dehydration business, our contract farming, how much percentage it has formed, I mean how percentage of the item has come from the contract farming, the raw material supply...

Mr. Anil Jain: We get onions in two seasons, one which starts, you know, in December to March production and second is a winter onion which comes from April through June-July.

Mr. Suman: Right.

Mr. Anil Jain: Almost all of the onions we buy in April to June-July, that is the second season, winter season, does come from contract almost, I would say 90-95%. Out of the first season which is December through March...

Mr. Suman: Yeah.

Mr. Anil Jain: ...we get about 15-20% on contract, rest is got from open market and the reason for that is that we need a particular type of onion with high solid...

Mr. Suman: Yeah, right.

Mr. Anil Jain: ...and we have to grow...give farmers specialized seeds and they don't do that well in the first season, but they do very well in the winter season, those seeds.

Mr. Suman: So, going ahead, we can see an increment in the contract farming because the company is looking, because, you know, to increase the margins on that.

Mr. Anil Jain: Yes, you know, contract farming basically allows us consistent and regular supply of type of the quality of onion we want.

Mr. Suman: Yeah.

Mr. Anil Jain: And we are, you know, we have more farmers willing to do contract farming with us because, you know, over the last five to seven years their experience with us has been very positive.

Mr. Suman: Okay. And just last question on the sheet business, we have seen that there has been a volume uptick a bit on this quarter on the PC sheet business specifically, so is there any remarkable...you can see on the housing side of the US?

Mr. Anil Jain: I think, you know, it is, as they say, you know, a million dollar question. You know, there was a news yesterday that last month housing sales increased in US by 3.2%.

Mr. Suman: Right.

Mr. Anil Jain: So, if this kind of data comes out and remains, you know, steady data, in that case post September, we will see some more movement of these products, but as of now, we think we are bottomed out and we should maintain the business next year almost at the same level this year or maybe marginal increase as of now.

Mr. Suman: Thank you sir.

Mr. Anil Jain: Thank you.

Moderator: Thank you very much sir. Next in line, we have Ms. Shefali Doshi from KJMC Capital Market. Over to you ma'am.

Ms. Shefali Doshi: Good afternoon sir.

Mr. Anil Jain: Good afternoon.

Ms. Shefali Doshi: Sir, the first question I would like to know is whatever dehydrated onions we are selling in US, I wanted to know who are the clients for those dehydrated onions, whether they are departmental stores or, I mean exactly who are the customers there?

Mr. Anil Jain: We are supplying this product as a food ingredient product.

Ms. Shefali Doshi: Okay.

Mr. Anil Jain: We are supplying to large food companies, you know, you can say Fortune 500 food companies and big names from, you know, Nestle to...companies like Nestle one can say.

Ms. Shefali Doshi: Okay.

Mr. Anil Jain: Heinz and others. Those type of...that is our customer profile. We also sell part of our products to medium size companies who would be mixing this as a part of an ingredient to make spice mix or whatever else.

Ms. Shefali Doshi: Okay.

Mr. Anil Jain: But we never sell directly into retail market.

Ms. Shefali Doshi: Okay, okay. Okay sir and in the beginning of the con call you had mentioned that the cost of borrowing will come down because of what you really...something like cost of borrowing will be coming down in the current year for FY10 you were mentioning, so I would just like to know what is our cost of borrowing for the same, by how much percentage...

Mr. Anil Jain: I think our average cost of borrowing last year was about 10% plus.

Ms. Shefali Doshi: Yeah.

Mr. Anil Jain: This year, you know, overall in market with the lower interest rates expected, we would have better cash flow position...

Ms. Shefali Doshi: Okay.

Mr. Anil Jain: ...and company has been re-rated, so we are getting access to lower cost funds. As a combination of all of this, we should have lower cost of funds definitely compared to the last year. Now, precisely how much lower it would be, that depends on the events happening...

Ms. Shefali Doshi: Okay.

Mr. Anil Jain: ...you know, in the outside world as well.

Ms. Shefali Doshi: But tentatively around 9, 9.5, I mean any rough figure, estimates you can give?

Mr. Anil Jain: We would definitely get reduction by at least 100 basis point, that is 1%.

Ms. Shefali Doshi: Okay.

Mr. Anil Jain: You know, we are trying for more, but at least 1% will definitely be.

Ms. Shefali Doshi: Okay, okay sir. Sir, another thing, I just want to make clear is I mean, it has been mentioned that the PVC pipe segment like you were mentioning it has grown by 15% and in the presentation which I am having, it shows some different figures for PE pipes and PVC pipes, like the PVC pipe is showing a growth of 43% like, you know, for full year whereas PE pipe is showing a degrowth of 10%, 10-10.5%, so I was just not able to correlate the figures, like what 15% you are saying...

Mr. Manoj Lodha: No, that was a printing error. We talked about the pipes as in whole division including PVC and PE.

Ms. Shefali Doshi: Okay.

Mr. Manoj Lodha: So, the number you have in the press release was the combined pipe division.

Mr. Anil Jain: The 15% is the combined pipe division, so PVC pipe has grown quite a lot while PE pipe had a degrowth because of, you know, the infrastructure project got delayed, but we are seeing this year some of those projects are coming back, so we expect PE pipe also to grow this year and PVC should maintain its good growth rate going forward.

Ms. Shefali Doshi: Okay. Okay sir, just last question regarding the PVC pipes, you know, Finolex and Supreme Industries are considered as the peers for Jain Irrigation, so I wanted to know, I mean, whether the company is having a pricing power over the products which are sold by Finolex and Supreme Industries?

Mr. Anil Jain: We have pricing power and as far as I know, you know, our product is sold at a premium compared to the other people you mentioned in the market.

Ms. Shefali Doshi: Okay. But then, I mean, is there any match difference between the products of Jain Irrigation and the products exactly what they are selling or the uses for which they are put to use like...

Mr. Anil Jain: All these companies sell products in different market applications. Supreme makes so many other products beyond pipe.

Ms. Shefali Doshi: No, regarding the PVC pipes only I am talking about.

Mr. Anil Jain: PVC pipes, I think Finolex and Supreme sells good quantity of their pipes into housing sector...

Ms. Shefali Doshi: Okay.

Mr. Anil Jain: ...real estate while majority of products we sell is in rural and agriculture sector.

Ms. Shefali Doshi: Okay sir. Okay sir, thank you.

Mr. Anil Jain: Thank you.

Ms. Shefali Doshi: Yeah.

Moderator: Thank you very much ma'am. Next in line, we have Mr. Akash from Nomura Securities. Over to you sir.

Mr. Akash: Good afternoon sir. Just a question on the cash flows for this year, have we been positive on the operating cash flow in FY09?

Mr. Anil Jain: I believe we would be positive. Manoj, you have more details?

Mr. Manoj Lodha: Yeah, Akash, yes, I do remember that we have been talking that on operating basis, we should be cash flow positive. I think we have achieved that, maybe not be, you know, but we are very close to that, you know, maybe very small kind of a negative cash flow, but yeah, as compared to the last year, we have significantly improved on this operating level. As Mr. Jain said, you know, last quarter, particularly last month, we had lot of sales and which is, you know, remaining to be recovered, so that is the reason, you may see that actually that is not positive number, but we are not very off on the kind of the trend we talked about, you know, earlier.

Mr. Akash: Okay.

Mr. Manoj Lodha: So, we have improved significantly on that.

Mr. Akash: Okay. Sir, you mentioned that inventories are about 57 days of sales, but net working capital is about 138.

Mr. Manoj Lodha: Yes.

Mr. Akash: So, has there been a huge increase in the debtors side?

Mr. Manoj Lodha: There has been about 10 days, 15 days increase in our receivable side, but on a payable side, we have reduced the level because we thought that, you know, buying material in cash was giving

little bit of opportunity in terms of better pricing. So, it is a combination of small increase in receivables and small decrease account payable days. As a combination, we wanted to go to net working capital level of around 115 or 110 days, but because of these two factors, I think our net working capital remained to be closer to 140 days, but there is not much change in credit period on the receivable side.

Mr. Akash: Okay. Sir, on the pricing front in MIS, what would be the kind of price decline you might have taken on an average?

Mr. Anil Jain: You know, this product is sold on a system cost basis.

Mr. Akash: Yeah, yeah.

Mr. Anil Jain: Prices vary by component to component, season to season, and region to region.

Mr. Akash: Right.

Mr. Anil Jain: So, I would say, you know, the way if you look at the level of margin which has gone up in the current year, we have not really taken too much of reduction in prices except in some specific states, let's say like Gujarat or maybe partially in Andhra, but otherwise, we have been able to maintain our price levels and also as we might have conveyed earlier, the prices do change season to season and this season started let's say in August-September, since then, we have not really changed prices and before that, prices of raw materials were higher.

Mr. Akash: Right. Sir, going forward, do we expect to pass on more of the raw material benefits to farmers or has it been already done to a large extent?

Mr. Anil Jain: I think to a certain extent we did, but, you know, over the last five years, our margins have grown from 23 and this year almost 32-33.

Mr. Akash: Okay.

Mr. Anil Jain: 32. So, overall, margins have been improving for us, but, you know, we wish to ensure that the cost per hectare of irrigation system for farmers should go down, so that it becomes more affordable because there is such a large market and we are covering very small part as of now. So, you know, our product must cost lower so that appeal for more and more farmers to use and make investment will increase. So, we want to maintain the level of margins we have and still try and bring down the cost of farmers going forward.

Mr. Akash: Sir, what kind of sensitivities do you usually see to a pricing decline and...I mean, on the volume front, does volume increase to a large extent if a small price decline is taken?

Mr. Anil Jain: This product is not very price elastic in that sense.

Mr. Akash: Okay.

Mr. Anil Jain: When a farmer needs a product because he has less water and this is the only way he can say the, you know, his crop, he is going to buy your product whether your system or your product costs 5 rupees per meter or 5 rupees 30 paise per meter. At that point, it does not make much difference, but, of course, there is competition one has to look into. There are government guidelines one has to look into and the viability for the farmer in terms of overall his investment.

Mr. Akash: Okay.

Mr. Anil Jain: But this is not a product which is in that sense price elastic and, you know, this year and last two years have been so volatile in terms of raw material prices and everything else.

Mr. Akash: Right.

Mr. Anil Jain: So, we have maintained a very consistent growth and higher level of profitability and that clearly shows that the end product pricing is not that very elastic to demand. It is your ability

to reach to the customer given this, you know, customized solution having proper government support. These two-three factors decide the demand....

Mr. Akash: But if let's say price decline is taken in FY10, then to maintain a revenue growth of 50%, your volume growth would need to be substantially higher than probably what you have done this year?

Mr. Anil Jain: But why would you expect prices to go down in 09-10?

Mr. Akash: Just in case you pass on some of the benefits as you probably did already?

Mr. Anil Jain: As I said, we do seasonal pricing.

Mr. Akash: Right.

Mr. Anil Jain: Raw material prices which were very low, which have come down between October to January...

Mr. Akash: Right.

Mr. Anil Jain: ...has since then already gone up by about 10% to 15%.

Mr. Akash: Right.

Mr. Anil Jain: So, as of now at least, I do not see any reason why prices will go down.

Mr. Akash: Okay.

Mr. Anil Jain: And we will pass on certain benefits to farmers in the current year. That may be 2% or 3% and I don't think that will make any difference in the amount of the volumes.

Mr. Akash: Okay. And on the pipes and agro processing front, what kind of revenue growth do you see this year?

Mr. Anil Jain: As I said, on piping side, we should maintain, you know, somewhere 20% plus in that region.

Mr. Akash: Okay.

Mr. Anil Jain: Now, this is subject to polymer prices remaining where they are.

Mr. Akash: Right.

Mr. Anil Jain: And in agro processing, we would expect the growth and as I said, this one is with big qualification because we do not know mango prices as of now.

Mr. Akash: Yeah.

Mr. Anil Jain: But should be around 25% plus/minus in that region.

Mr. Akash: Okay. Okay, thanks a lot sir.

Mr. Anil Jain: Thank you.

Moderator: Thank you very much sir. Next in line, we have Ms. Sangeetha Saranathan from IIFL. Over to you ma'am.

Ms. Sangeetha Saranathan: Hi, good afternoon.

Mr. Anil Jain: Good afternoon Sangeetha.

Ms. Sangeetha

Saranathan: Hi. One question on the subsidy, I understand there was a proposal earlier for the center to sort of pay its share of the subsidy upfront or sooner than earlier, has that actually happened, are you seeing any action on that front?

Mr. Anil Jain: You know, due to this code of conduct, no new changes in the government are taking place since February and nothing will happen at least through July-August. Once the new government is well settled, thereafter some of the new changes will get advised or implemented.

Ms. Sangeetha Saranathan: Okay. So, we should therefore be looking at material increase in the receivables by at least 1H of FY10?

Mr. Anil Jain: I think, you know, from quarter three you would see meaningful changes, not in first two quarters.

Ms. Sangeetha Saranathan: Okay. On the growth in the MIS segment, you know, broadly 40% plus kind of a number that you have indicated, where are we really seeing most of the incremental revenues coming from, will it be states like Maharashtra, Gujarat, AP, Tamil Nadu, which is the mainstay will continue to contribute or are you seeing smaller states being the largest contributors?

Mr. Anil Jain: We will see that Maharashtra and Andhra continues to grow, but because they are at a higher base, their growth rates, you know, would not be like 60% or 70%, would be closer to, you know 30% or 35%, but, you know, something like Tamil Nadu could grow 100%, MP could grow 100%. We would see lot of new business in places like Himachal where base is extremely small, so you will see 1,000% type of growth or even more than that there. So, good amount of...I would say, out of the additional business which we will do this year, almost 30-35% will come from A states like Maharashtra and Andhra, 30-35% will come from B states which are well established but growing like Tamil Nadu, MP, and Karnataka and the remaining ones, the growth will come from new states in north, whether Himachal, Haryana, Chhattisgarh, or Rajasthan.

Ms. Sangeetha Saranathan: Sir, just one last question on your fruit processing segment. The fruit processing, the revenue growth was upwards of 30%, but if I just look at the volumes growth, there was almost a degrowth in that segment in the full year, not just looking at the fourth quarter, is that a reflection of demand still remaining pretty soft or are we really seeing FY10 growth driven by volume growth?

Mr. Anil Jain: Could you repeat that question, I lost you there. You said that for the overall year, food business went down?

Ms. Sangeetha Saranathan: Fruit, fruit, just fruits. I said for the full year fruit revenue grew 30%.

Mr. Anil Jain: Yes.

Ms. Sangeetha Saranathan: But volumes degrew by I think about 8%. Are we therefore seeing some kind of a soft demand or are we seeing FY10 growth driven by volumes?

Mr. Anil Jain: FY10 growth would be driven by volumes. The reason, last year there was a reduction in the quantity in fruit business because, you know, as I said our mainstay product is mango and within mango is Totapuri mango and last year, availability of Totapuri was substantially less due to some decrease on that product.

Ms. Sangeetha Saranathan: Okay.

Mr. Anil Jain: And this year, it is expected that Totapuri is having a bumper crop. So, therefore, we are going to have more quantity production in process in this year than last.

Ms. Sangeetha

Saranathan: Okay. So, it is not a demand issue, but a supply side issue.

Mr. Anil Jain: It was a supply side issue last year.

Ms. Sangeetha Saranathan: Okay.

Mr. Anil Jain: We could have produced and sold more, we had more demand. We had to refuse customer orders, not just us, but the entire industry because just enough could not be produced.

Ms. Sangeetha Saranathan: Okay. Thank you.

Moderator: Thank you very much ma'am.

Mr. Anil Jain: Thank you.

Moderator: Next in line, we have Mr. Anup from Dolat Capital. Over to you sir.

Mr. Anup: My question has been answered. Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Ritesh from Dolat Capital. Over to you sir.

Mr. Ritesh: Good afternoon sir.

Mr. Anil Jain: Good afternoon.

Mr. Ritesh: Sir, my question is on MIS. Traditionally, Maharashtra and Andhra is a good state. Could you tell me out of about 900 crores, how much has been coming from these states?

Mr. Anil Jain: Maharashtra has always been about 30-33%.

Mr. Ritesh: Okay.

Mr. Anil Jain: And Andhra is about 20%.

Mr. Ritesh: So, close to 50% of this 900 turnover, these two states here about 50%.

Mr. Anil Jain: Yeah.

Mr. Ritesh: And going forward, do you think now growth would be tampered in these two states?

Mr. Anil Jain: No, we still expect very strong growth as I said just now in the earlier question.

Mr. Ritesh: Okay.

Mr. Anil Jain: We expect both of these states will continue to play important role.

Mr. Ritesh: Okay. And sir, what would be the micro irrigation in terms of acreage in these two states now?

Mr. Anil Jain: Those numbers, you know, depends where they are, but I would say the penetration in Maharashtra now would be about close to 6% to 7%...

Mr. Ritesh: Okay.

Mr. Anil Jain: ...compared to potential, while in Andhra, it might be also almost 6% or so.

Mr. Ritesh: Okay, okay. So, still there is a tremendous opportunity in these two states?

Mr. Anil Jain: Yes.

Mr. Ritesh: Okay. And sir, any updates on our water infrastructure business or it is still on status quo?

Mr. Anil Jain: It is status quo right now. We are focusing on, you know, our current main business.

Mr. Ritesh: Okay. And sir, our present equity is 74.3 crores...

Mr. Anil Jain: Yeah.

Mr. Ritesh: ...and I guess another 8 million shares, warrants have to be converted?

Mr. Anil Jain: Those warrants are outstanding, but right now, those warrants have lapsed, so this is a frozen equity now.

Mr. Ritesh: Okay. So, now this 74.3 post IFC issue is final as of now?

Mr. Anil Jain: Except the FCCBs which might get converted.

Mr. Ritesh: Yes, okay.

Mr. Anil Jain: Remaining the part of the FCCB, which is about 10 million dollars.

Mr. Ritesh: 10 million dollars.

Mr. Anil Jain: Yeah.

Mr. Ritesh: Okay. But that 8 million shares have been lapsed?

Mr. Anil Jain: Lapsed, those warrants have lapsed.

Mr. Ritesh: Okay sir.

Mr. Anil Jain: Yeah.

Mr. Ritesh: Thank you very much sir.

Mr. Anil Jain: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Jayesh Shah from Reliance Mutual Fund. Over to you sir.

Mr. Jayesh Shah: Good afternoon sir.

Mr. Anil Jain: Good afternoon.

Mr. Jayesh Shah: Sir, could you give the total acreage of land you have irrigated this year in FY09?

Mr. Anil Jain: Sorry, can you repeat.

Mr. Jayesh Shah: Totally, acres of land you have irrigated, is that possible, in FY09?

Mr. Anil Jain: It is very difficult, but, you know, generally as a rule of thumb, you know, if we look at this 950 crores sales and take the exports out of that, about 50 crores, so 900 crore if we divide by 40,000 rupees, that should give you per hectare.

Mr. Jayesh Shah: Okay.

Mr. Anil Jain: And multiply by 3.5, that should be give you acre.

Mr. Jayesh Shah: Sir, what?

Mr. Manoj Lodha: Yeah, about 300,000 hectares would have been covered based on the average price that Mr. Jain was talking about, so that would have been our share and maybe industry would have done about 550,000 to 600,000 hectares. So, that should be roughly our coverage this year.

Mr. Jayesh Shah: Okay, thank you sir. Sir, regarding our pipes, can you tell me how much of pipe goes to MIS, if that is possible?

Mr. Anil Jain: These numbers which you see here as a piping division...

Mr. Jayesh Shah: Yeah.

Mr. Anil Jain: ...they are not going into MIS. Those are pipe sales which goes to farmers beyond MIS.

Mr. Jayesh Shah: Okay.

Mr. Anil Jain: And if you look at our overall MIS system sales, pipe would contribute about 10% to 12% of that portfolio.

Mr. Jayesh Shah: Okay. So, out of the total pipe capacity, some part would go to MIS and some part would be sold otherwise?

Mr. Anil Jain: Yes, so what is being sold otherwise is what is reflected in the piping division.

Mr. Jayesh Shah: Okay.

Mr. Anil Jain: What is being sold in MIS is produced as a part of MIS.

Mr. Jayesh Shah: Okay sir.

Mr. Anil Jain: Used in MIS.

Mr. Jayesh Shah: And sir, you talked about the increase in subsidy to 70%, right sir?

Mr. Anil Jain: In some states...

Mr. Jayesh Shah: In some states, yeah.

Mr. Anil Jain: ...that governments have announced that, you know, usually the way it works is central providing 14, state is providing 10.

Mr. Jayesh Shah: Okay.

Mr. Anil Jain: So, instead of 10, some of the states have said they will either provide 20 or 30 like that.

Mr. Jayesh Shah: Okay sir. And that is in some states, it is not throughout India?

Mr. Anil Jain: No, no, not throughout, some states.

Mr. Jayesh Shah: Okay sir, in some villages, they don't have sources of water, so are you facing problems regarding that, you want to irrigate, but there are no sources of water available.

Mr. Anil Jain: See, we are basically selling our water management system, so it is essential water should be there.

Mr. Jayesh Shah: Okay.

Mr. Anil Jain: So, therefore our target market is area where water is already there, beyond monsoon will be there.

Mr. Jayesh Shah: Okay.

Mr. Anil Jain: That is about this 70 million hectares.

Mr. Jayesh Shah: Okay.

Mr. Anil Jain: And from that, you remove what is done like rice under water and the areas where there is too much of water...

Mr. Jayesh Shah: Okay.

Mr. Anil Jain: ...that will be about 50 million hectares. Now, out of that, about 3 million has happened, that is why we talk about that penetration is only 5% to 6%, that shows you that there is a real long-term sustained growth feasible in this business because of that potential.

Mr. Jayesh Shah: Okay. Thanks a lot sir.

Mr. Anil Jain: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Kuldeep from Kotak Mahindra AMC. Over to you sir.

Mr. Kuldeep: Hello Anil and Manoj, good afternoon.

Mr. Anil Jain: Good afternoon.

Mr. Kuldeep: This was regarding the factoring which we talked about, this 200 crores which you have factored, what could be the interest differential or what could be the interest saving which we do?

Mr. Manoj Lodha: It is more importantly the cash flow basis, that, you know, if the receivables are taken go on to the bank book rather than our book.

Mr. Kuldeep: Right.

Mr. Manoj Lodha: The interest, it is usually cheaper compared to like say a normal cash flow borrowing between 1% to 3% depending on the time of the year and need of the bank from the priority sector lending.

Mr. Kuldeep: Okay. So, that is, 1% to 3% would be the differential?

Mr. Anil Jain: Yeah.

Mr. Kuldeep: Okay. Thank you.

Mr. Anil Jain: Thank you.

Moderator: Thank you very much sir. Next in line, we have a followup question from Mr. Shekhar Kedia from Barclays Wealth. Over to you sir.

Mr. Shekhar Kedia: Good afternoon sir. This year, we have seen that the monsoon has been forecasted at 96% of long period average. What would be the effect of this on your...on the irrigation due to availability of water that is needed, like the last four years have had good monsoons. If this year does not have that good a monsoon as compared to the last four years, how would that affect the micro irrigation business?

Mr. Anil Jain: Okay. In terms of monsoon forecast, you know, generally monsoon forecast can be X or Y, but it creates...sometimes there could be a issue that in a given region, you know, monsoon is 50%, but in average it does not get picked up, so that region would demand more drip and sprinklers for short term because they have so much of limited water. In general, having a good monsoon helps us to grow because farmers are able to generally grow well, have more money, so they are able to invest, etc. Majority of business which we do though is not related to monsoon. It is the irrigated crops which grow even beyond monsoon. So, having good monsoon helps us. Not having so good monsoon helps us in short term in terms of demand increase. So, overall, you know, you have seen in last four-five years despite good monsoon, this business for us has grown more than 60% compounded basis during that period. So, we do not think it should have that kind of any significant impact on business either way.

Mr. Shekhar Kedia: Okay sir. Actually in the western region, it has been forecasted that compared to last few years, we will have lesser amount of rain. So, I was just wondering like Maharashtra being a state which contributes so much of revenue to the irrigation business, how would affect the company?

Mr. Anil Jain: Even, last year, for example, overall monsoons were good, but entire northern part of Maharashtra, especially where we are located like Jalgaon, Nasik, Nagpur, all that area had less, you know, almost only 60% of average rains, but as I said, as we are becoming more pan-Indian, it could happen that one particular area has more demand but another area has too much of water.
So, at least, the demand there would come only post December, once the rain, you know, the water has been sucked out of land dry, you know, post monsoon. So, it does vary, but as we have grown now pan-India and covering different, different crops for different seasons, it does not create that much of a significant impact on our company. We are able to adjust. In a given region in a given month, we may have more or less business depending on the monsoon, but it does not create much change into our overall direction.

Mr. Shekhar Kedia: Okay sir, thank you.

Mr. Anil Jain: Thank you.

Moderator: Thank you very much sir. Next in line, we have a followup question from Mr. Mayur from Wealth Managers. Over to you sir.

Mr. Mayur: Sir, can you throw some light on the demand for that City Gas distribution piping and you know, can you throw some light because that was supposed to be very growing area for us?

Mr. Anil Jain: See, city gas distribution, you know, is being done by this four or five companies, IGL, MGL, and....

Mr. Mayur: Right.

Mr. Anil Jain:now I believe Reliance and others will get in. That all depends upon the availability of gas, and while in the country there were lots of talks of lot more gas becoming available, there have been delays in various projects, but our business is growing. I think about in that application about 50%, but it is a small application, you know, I think last year our sales for gas application were close to 25 crores or in that region, and this year, they are expected to be may be 40 crores. So, there is a growth, but it is slow because availability of gas is still limited, but from what we know from our customers, like GAIL, Gujarat Gas, MGL and others that 200 cities now have been identified. Right now, we are supplying in about 6 to 7 cities, 200 cities have been identified which would have city gas distribution over the next....I don't know, anywhere between three years to ten years depending on the availability of the gas. So, we expect this business to continue to grow. We have major market share into this particular application, and you know, the margins are better than usual piping business.

Mr. Mayur: Right. So, sir, may be you know, over the next five years, they may grow to some reasonable size for us?

Mr. Anil Jain: Yes, they do...

Mr. Mayur: Not immediately?

Mr. Anil Jain: Immediately as I said, there is a growth but not a very big significant growth because basic laying of infrastructure of the trunk pipelines and availability of gas is still an issue, you know, India is energy short. If Reliance Gas is coming, you know, power companies, fertilizer companies, everybody is struggling to get that gas, then only it will become available for city gas distribution.

Mr. Mayur: Right sir. Sir, secondly what was the basic need for issuing, you know, extra capital to the IFC sir means.....

Mr. Anil Jain: IFC is, you know, part of the World Bank group. They have provided to companies loans at very reasonable terms. For example, you know, on an average, if you see all the loans that they have provided, they are about eight year, you know, terms, three year moratorium, and the cost have been LIBOR plus on an average let us say 2 to 2.5 in that region. So, currently, lot of Indian borrowers when they are borrowing at LIBOR plus 6 or 8, we have been able to get these good rates. IFC also as a World Bank group is involved in irrigation projects worldwide, and we expect them to be, you know, supporting us because they are shareholders now. It makes a big difference. It opens a lot of doors for us, especially for projects in places like Africa where the government is funding this along with one of the World Bank group agencies. So, we are seeing lot of long-term as well as short-term benefits dealing with IFC and World Bank, and I think it is, you know, to have privilege that they have become shareholders. We have issued a very small equity to them.....

Mr. Mayur: Right sir.

Mr. Anil Jain:in terms of total equity. So, I do not think it makes much difference. That is a huge value accretive the way I see it in medium to long-term for the business, and in short-term, by cheaper loans, it is also providing good benefits.

Mr. Mayur: Sir, what I actually wanted to know, was there a contractual understanding that we need to give because of the....

Mr. Anil Jain: These were two separate issues. There was no contractual understanding.

Mr. Mayur: Okay, so, there is no contractual obligation even going forward?

Mr. Anil Jain: No, absolutely not.

Mr. Mayur: Okay, okay and sir, secondly, can you throw some light on the performance of NaanDan.

Mr. Anil Jain: This is an Israeli company.

Mr. Mayur: Okay.

Mr. Anil Jain: They are growing about 10%, and they are profitable.

Mr. Mayur: At EBITDA level?

Mr. Anil Jain: Sorry.

Mr. Mayur: At EBITDA level?

Mr. Anil Jain: No, on a net basis, they are profitable.

Mr. Mayur: At net level also?

Mr. Anil Jain: Yeah.

Mr. Mayur: I mean, do we have any plans to increase the stake beyond 50?

Mr. Anil Jain: You know, we have a call option and that is valid for next 10 years, so you know we are not taking any premeditated scenario there. We will look at the opportunity. We will look at the situation and take a call at any point of time. We don't have to do that in hurry.

Mr. Mayur: Okay, and sir, can you just, last question, lay down your capacity for pipes and agro in terms of tonnes and for the current year as well as the for the next year?

Mr. Anil Jain: You know, it is very difficult to put this capacities down because we are consistently investing. On a monthly basis, we are adding new capacities, especially say in piping. In Agro, the annual capacity somewhat is meaningless because if you run let us say mango only for 2-1/2 months and other fruits on other 2 to 2-1/2 months, and that would change naturally if you are able to do more pomegranate. So, you know, separately if you want we can provide you capacities but

right now I can't give you those because those tonnages would keep changing, but in general what I can tell you is that we are adding more capacity to sustain this growth in the business, so let us say in piping, PVC piping especially we are expecting large growth, so we are adding their capacity of to the tune of about almost 25% to 30%. In steel pipe, we would be adding capacity by 10% or so, and in terms of agro-processing we are not adding any new capacity in onion, but we are increasing the mango processing capacity by almost about 20% to 25%.

Mr. Mayur: Okay, and sir, my last question is from the MIS side, which crop or you know which products are we into mainly for, you know, for the farmers, and are we seeing any new areas of development on that.

Mr. Anil Jain: We will sell a system covering various crops, and you know, right now for example, sugarcane, there is going to be a big demand because last 2 years, farmers did not plant enough sugarcane, sugar is short, so there is a huge demand for now sugarcane. Same way for cotton because farmers are getting good prices for cotton, but in general you know we sell all types of product lines, whether for fruit crops, vegetable crops, oilseeds, pulses, grains, cereals, everything, and every region is different and every season is different. So, it is very difficult to quantify x or y, but there is a growth across all segments.

Mr. Mayur: So sir, there is no typical skillset required for a particular crop or a type of a crop. It is in general the technology and the skillset required....

Mr. Anil Jain: No, system can cover about 200 to 300 components, so you know, it is like a buffet system. We offer to farmers all possibilities under all scenarios depending on his water, soil, the type of the crop and the type of the climate he has, and we have to create a customized solution, unique customized solution depending on all the existing data, and the information about the farm, and his crop, so therefore it varies from as I said season to season, region to region.

Mr. Mayur: Thank you very much sir for the valued information.

Mr. Anil Jain: Thank you.

Mr. Nikhil Vora: Just one question and maybe we will take one more last question after this. What is your thought on the inclusion or likely inclusion of micro-irrigation under the mission mode and what are the time period that one should look at for this?

Mr. Anil Jain: Any change in the current dispensation would take place as I said only after the new Central Government comes into place, but you know having said that, the reason to see that whether the mission mode would bring more visibility, but the commitment level of the government to increase the area under micro-irrigation is already in place, now converting into mission mode would make it better administrative scenario, it would not change basic underlying growth opportunities, that would remain the same.

Mr. Nikhil Vora: Okay, thank you for this.

Mr. Anil Jain: Thank you.

Mr. Nikhil Vora: Priyanka, we will just take one last question.

Moderator: Sure sir.

Mr. Nikhil Vora: Yeah.

Moderator: And the last question is from Mr. Suman from Religare Capital market. Over to you sir.

Mr. Suman: My questions have been answered. Thank you.

Moderator: Thank you very much sir. At this moment, I would like to handover the floor back to Mr. Nikhil Vora for final remarks. Thank you and over to you sir.

Mr. Nikhil Vora: Thanks Priyanka. Anilji, if you want to make any final remarks, and then we can complete the call.

Mr. Anil Jain: I think you know having gone through all these questions, all I just want to say that is we are firmly and definitely on a hearts for a significant growth, and continue significant growth despite last 5 to 6 years of very high growth rate. We see domestic situation in India continue to remain good. Government is spending more money into water area as well as rural area, so that should continue to aid our efforts to increase penetration of our product line, and the current year with lower interest cost, raw material to be stable, fuel and freight cost to be lower, we expect margins to also remain on the good side. There is less pressure on the margin that there was in the earlier part of the last year. So, growth rate with less pressure on margin should allow us to consolidate our position as the leader not only in India, but globally also.

Mr. Nikhil Vora: Thanks a lot to all the participants and the management team at Jain for being on the call. Thank you.

Mr. Anil Jain: Thank you everybody.

Mr. Manoj Lodha: Thank you, thank you, bye, bye.

Moderator: Thank you very much sir. Ladies and Gentlemen, thank you for choosing WebEx Conferencing Service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines.
