



“Mahindra EPC Irrigation Limited
Annual Audited Financial Results of FY2022”

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**MANAGEMENT: MR. ASHOK SHARMA – MANAGING DIRECTOR –
MAHINDRA EPC IRRIGATION LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Mahindra EPC Irrigation Limited's annual audited financial results of FY2022 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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ashok Sharma, Managing Director. Thank you and over to you Sir!

Ashok Sharma: Thank you very much. A very good evening, ladies and gentlemen and a very warm welcome to all of you in the seventh investor call for Mahindra EPC Irrigation Limited. On behalf of Mahindra EPC, I would like to sincerely thank each one of you for joining this call. Today I will be sharing with you the key developments in the micro irrigation industry, the company's performance, and a broad industry outlook for FY2023.

Today I thought let me first talk a little bit about Israel. Many of you know about the technologies being developed in Israel with micro-irrigation being one such technology which has come from the country. As you are aware that Israel has a very small land region, does not have natural resources, and very less rainfall but Israel has always overcome these challenges through innovation, and I will talk about innovation in the area of water management. In the early years of Israel's existence, the population grew rapidly and as the tiny country struggled with the significant water shortage, Israel developed water initiatives all over the country. The Israel Water Authority launched a series of programs for children that taught them how to save water by simple means, building a whole new generation of water-conscious citizens. A country with over 60% desert and less than 20% naturally arable landmass, today Israel has become a world leader in water management and water recycling. Over 90% of Israel's water is recycled and nearly 80% of drinking water consumed is either desalinated or recycled. Israel has reduced the amount of water needed for irrigation by more than 30% by using micro-irrigation largely and also increased the groundwater level through efficient management and maintenance of traditional water storage structures. By doing this, Israeli farmers have made the desert bloom with the pioneering use of irrigation and innovative farm technologies. Today agriculture is thriving in Israel, and they have successfully travelled the journey from a water-scarce to a water-abundant country. Now Israel is an example for the world on how to move from a water-scarce to water abundant country. Cut to India, I have mentioned this before but for the benefit of the new participants I would like to share with you that the agri sector consumes the largest amount of water. Almost 80% of the water is used in agriculture and micro-irrigation becomes a very important driver for water conservation. Given the high focus on the environment, society, and governance; it is very critical that companies like ours contribute to the protection of the environment by conserving water. You may have heard about water futures being listed on the exchange in the US. Today, India is a water-stressed

economy and very fast we are going to become a water-scarce economy, so what does it mean for the micro-irrigation industry? It means a lot because as time progresses all the citizens, farmers, and government have to get more and more water conscious. Today only 12% to 13% of the available land is having micro-irrigation facilities available and the overall area available for using micro-irrigation is close to 70 million hectares. Out of that only, 10 million are covered under micro-irrigation, so clearly there are a lot of positives in terms of the need for micro-irrigation, especially for a country like India given its large landmass. The benefits of micro-irrigation are that it increases crop production for the farmer by 20% to 30% and also the labour cost comes down due to the reduction of weeds on the farm, which reduces the labour cost. We all have been hearing about various schemes by the government to promote micro-irrigation and various announcements in terms of more crops per drop which over the last decade and a half have driven this industry to this level.

Now coming to the Mahindra EPC irrigation company, we always focus on supporting the farmers and helping them to be more prosperous and that is the vision of our company, how do we contribute to farmers' prosperity and to the nation's priority of doubling farmer's income and protecting the environment while ensuring that our country remains water positive and not water-stressed or water-scarce. In terms of the whole strategy of the company, I will just repeat the key points, that I have been emphasizing in our previous calls. We have always focused on delivering high-quality products and services to the farmers and helping them to install and use the products properly. How do we do it? Our strategy is very simple. We focus on very critical markets and increase our market share year on year. For the last three years, we have been increasing our market share every year. Over the years, to increase the margins, we have shifted from low margin sprinklers to high margin drip products. One of the big challenges in the industry is managing working capital and that has been one area we have been very mindful of, and we plan our business based on the working capital cycles from the government. In the last 2-3 years, consciously we have taken a call to move towards the non-subsidy business so that there is less dependence on subsidies and a major thrust has been given to reducing cost. If you look at our numbers our FY2022 fixed costs are lower than our FY2020 fixed costs, so the whole idea is to make the business leaner so that we can manage our businesses profitably.

Now let me talk about very specific things, which you will be very keen to know about how the industry is doing now and what is the future like. Unfortunately, the last two years for the industry were not favourable and the industry has been degrowing year on year. Just to share some statistics, which are based on the published data. In FY2020 almost 11.7 lakh hectares were covered through micro-irrigation. In FY2021, there was a degrowth of 20% and further degrowth of 25% in FY2022. In FY2022, we are estimating that around 7 lakh hectares were covered under micro-irrigation. This data is still to be confirmed, but this is

our industry estimate. One has to think why these two years have been so tough for the industry compared to the previous years where the industry was growing at an average of 6% to 7%, in some years it was either flat, but never have we seen this kind of degrowth in the industry. Looking at these two years a bit closely what one can see is that in the last two years largely due to the impact of COVID, the state governments have given less focus in terms of allocating funds for micro-irrigation as perhaps there was an urgent need in public health. The second challenge we saw was the overall impact of climate change. There have been unseasonal rains, which have had an adverse impact on certain markets and also there have been cases where because of cyclones some good markets could not perform. The third reason, which is again very peculiar for the last two years has been the increase in raw material cost. I have been talking about this on the previous calls and the trend remains unabated. The raw material cost has gone up by almost 30% over FY2021, which means an impact of almost 14-15% on the total material cost. Mahindra EPC could reduce the impact by certain innovative design improvements, process improvement, and efficiency improvements, these saved around 2% to 3%, but still, we had an adverse impact of the material cost increase of around 11-12%. The major reasons for this increase in raw material costs have been the overall supply and demand situation. We have seen that the demand for polymers had increased significantly for applications for medical and other areas and also there have been many instances of large companies either reducing production of irrigation grade or going for large breaks. Another driver for this raw material cost is the increasing crude oil prices. In the last year from April to April, the prices have gone more than 70%, which has impacted the material cost. This has put a lot of pressure on the industry in terms of reduced revenues, reduced margins and hence it has become unviable to sell the products profitably in certain markets. These are the challenges which we saw in the last two years in the industry. Based on this, lot of efforts have been taken by the industry association to interact with various authorities in the government, specific suggestions on how the pricing may be linked with the raw material cost on a dynamic basis. Also, the schemes can be run more efficiently by doing DBTs to the farmers and assuring the schemes are available all around the year, based on this there have been some positive developments in terms of the central government announcing guidelines for price increase in October 2021, after that various state governments have started the process of price revision. Up till now the Telangana Government has already increased the price and other state governments are in the process and we expect some more price increase coming from different state governments starting this quarter. Also, what is favourable for the industry is that stable markets like Maharashtra, Gujarat and Tamil Nadu have been consistently performing and have demonstrated their commitment to giving adequate funds for this year. On the ground, we see them working efficiently to ensure the business or the industry does not suffer. There are two other developments which we think are positive for the industry. One is the renewed and strong interest of the Telangana state government. They have declared oil palm cultivation as a big priority for the state government and

towards that, they have allocated a budget of around Rs.500 Crores towards micro-irrigation and they have been actively engaging with the industry to increase micro-irrigation in Telangana, so that seems to be a good opportunity for the industry, and they have demonstrated that by increasing the price and declaring the new price ahead of other states. Another development which is worth noting is related to the AP government. You would be aware that for the last two years the Andhra Pradesh government has been quite dormant in the micro irrigation industry and recently in the last few months, we have seen a renewed interest and demonstration that has seen decent payments made by the AP government to various companies for the amounts which have been due for quite some time and the balance has also been assured in this month and the department has been actively engaging with the industry to now restart the micro-irrigation business, so we seem to be on the positive side. Increase of prices by the state government, the focus on stable states continues, dormant and large states like AP and Telangana getting reactivated and we expect this should drive the industry well for the coming years. Having said this, there are challenges which continue. We are not seeing any relief in the raw material prices. They have been increasing in the last few months and we expect that we may remain on similar or marginally higher levels in the next few months. As the geopolitical situation and uncertainty reduce across the globe, some new capacities come in and the port congestions which are creating a lot of issues in terms of movement of goods ease out during the next few months, we could perhaps expect some stabilization / softening of raw material prices. Today it is very difficult to take that view. We are not seeing in the immediate future any scope of relaxation on raw material prices, so this is the context which I wanted to share with all of you to see the financial performance of Q4 and for the full year. I am sure, you have already gone through the results.

I will just share the highlights. In Q4, Mahindra EPC Irrigation Limited reported a consolidated revenue of Rs.66.7 Crores in FY2022 Q4 versus Rs.72.5 Crores in FY2021 Q4 and we had a PAT of Rs.0.14 Crores in F2022 Q4 versus Rs.4.06 Crores in F2021 Q4, the material cost has increased to 63.7% versus 55.7% in the last quarter. There has been a significant increase of almost 8% in the material cost, which has impacted our bottom line. On annual levels, we have had degrowth. Our consolidated earning was Rs.212 Crores compared to Rs.257 Crores last year and we had a PAT of negative Rs.7.9 Crores versus a PAT of Rs. 18.9 Crores in FY2021. The material cost has moved from 51.7% to 62.8%, a significant jump and we did not see any major price increases from the government last year. This increase of 11% has impacted our bottom line significantly. Now I talked about FY2022, challenges, efforts put by the industry and some actions by the state governments, but when I look internally at how this year has gone for Mahindra EPC, I think many good things have happened in terms of what we could do internally, and I will talk about that one by one. Once we realized that the raw material costs are going up and the revenues may be under pressure because of state government funding, a lot of efforts had been put to move

toward a business model which is having less dependence on subsidies. Just to give some statistics, in FY2020, 1% of the revenue was coming from non-subsidy business and last year our revenue was 15% from non-subsidy business. In the past, we have been putting efforts to focus on states which were more stable with better payment cycles and last year we could achieve 33% of our revenue from these states, compared to 22% in FY2021 and around 19% in FY2020. So, we are moving markets which are more stable and dependable in terms of payments. Moving to our joint venture, Mahindra Top Greenhouses Pvt. Ltd., we have seen some good development there. We have been able to sign MOU for providing net houses for rural livelihood increase of small farmers and there is a good pipeline of orders for the year, which we expect we will be able to fulfil during the coming time. Another benefit from the last two years is our focus on cost. We could put a lot of additional focus and we could manage to keep our fixed cost lower than the FY2020 level despite the inflation and that has been possible due to various innovative ideas in terms of reducing the waste in the system and improving productivity. Even the variable cost had been contained in FY2022 by a lot of optimizations of the mix despite the increase in freight cost and other variable elements. We believe that our efforts to perform better than the industry will continue, and we would be focusing on our strategy of key market focus, improving our mix, working in profitable states, and increasing our non-subsidy revenue so that we are having faster payment cycles while keeping our eyes on costs. With this we are quite hopeful that going forward our performance will continue to be better than the industry and ensure that our farmers sustain their trust in Mahindra EPC for its quality and good service. So, with this, I end my opening remarks and I would now be very happy to hear your suggestions, questions and comments, so over to you for the Q&A session.

Moderator: Ladies and gentlemen, we will now begin with the question-and-answer session. We will wait for a moment while the question queue assembles. The first question is from the line of Aejas Lakhani from Unifi Capital Private Limited. Please go ahead.

Aejas Lakhani: Sir thanks for the opening remarks. I wanted to check with you if could you speak a little bit about the receivable position, if I remember correctly Rs.40 Crores is the pending receivable from the AP government so could you speak a little bit about that situation?

Ashok Sharma: Any other question Lakhani.

Aejas Lakhani: I will follow it up with another one Sir.

Ashok Sharma: Go ahead, I can answer together; this is a simple one.

Aejas Lakhani: Yes, also going ahead now Sir, the pain that you have seen with the AP government if you could just highlight that with the better-governed states what kind of a receivable you have

from them and what kind of ability do you have to further increase the sales in those regions versus where you have been currently selling. I presume you are predominantly selling just in six to seven states right, actually five to six states if I understand so that also?

Ashok Sharma:

Sure. You are very right. I thank Lakhani for putting this question because this is one of the most important drivers in this industry. As far as AP is concerned, I mentioned in my opening comments that for two years hardly any payment came, but recently in the last month of April, we received almost around Rs. 15 Crores payment from AP when the total due was Rs.40 Crores. A similar amount is expected this month as per the government, but we will have to wait and see. The Rs.15 Crores that we have received is a positive development as far as AP is concerned. Now coming to your next question. If you look at the industry, largely these five to six states i.e., Maharashtra, Gujarat, Tamil Nadu, Andhra, Telangana, and Karnataka would contribute almost 75% to 80% of the entire industry so everybody is in those markets. Maharashtra and Gujarat are the industry markets, which tend to pay on time. An efficient state like Gujarat would end up paying us between three months to six months depending on which part of the year. The scheme is better in Maharashtra, we do not have many receivable issues because the payment is directly made to farmers. This is the model we are recommending to the government where there is direct benefit transfer, so our receivables will be very less. That is very good for us in terms of working capital management. Tamil Nadu is the third big market, which is driving the industry and that state is not very efficient on payments, they have a larger time frame for payments. It could go beyond six months, but again the silver lining in this is that we do get our money. It is sometimes delayed, but the governments do honour their commitment. Now the last question, which you asked about focusing on these markets, I mentioned in my opening comments that the 22% revenue from the good markets has gone up to 33% business. That is one positive sign, and we have some very good plans to further strengthen our position in these markets. I hope that answers your question Lakhani.

Aejas Lakhani:

Yes Sir just a couple of follow-ups again on that; one is that what is the size of our Maharashtra, Gujarat and Tamil Nadu in terms of size if you could just expand that and also Sir you mentioned that Telangana has already increased prices, so could you quantify what is the increase in prices that Telangana has done and if you have any indicator of what are the other states likely to do?

Ashok Sharma:

I think you ask the question on everybody's behalf. If you look at Maharashtra and Gujarat, these markets hover around Rs.600 Crores to Rs.800 Crores each depending on the year. Tamil Nadu has been growing at a faster pace recently in the last three to four years. It is in the range of Rs.500 Crores to Rs.600 Crores now, so these are the three markets which contribute to almost Rs.2000 Crores plus or minus 5% to 10% and again it varies year to year depending on various factors. Coming to Telangana, the price increase they have

offered is in line with the increase in input cost of last year, but the question is what will be the increase of the other states, I have no idea.

Aejas Lakhani: If you have any indicators?

Ashok Sharma: I have no idea, but what I can tell you out of experience is that once big states like Telangana or Andhra give price increases, it becomes something of a benchmark for other states to think, but frankly it is very difficult to say because each state has their way of thinking, but we are happy that at least Telangana has taken a right position to give a reasonable increase so that the industry can have the interest to promote micro-irrigation in that state.

Aejas Lakhani: Got it Sir and Sir you had mentioned I think in the last call that newer states UP, MP, Rajasthan, and Bihar were looking to participate so any green shoots there and just a follow-up on AP, we have had a terrible experience so is it the philosophy where we will not be very aggressive in that state any longer or given that they are opening up their posturing we will continue to sort of focus again and hope for a better payment cycle from that government?

Ashok Sharma: Clearly, I would agree with you on the second point. We need to be cautious in certain markets. I think due to the AP situation, the industry came together, and they put a strong request to the AP government in terms of the payment cycle. We also have certain norms internally where we manage our business based on the payment cycle. Once we see that the payment cycle is favourable in a state, we increase efforts in that state. So, we will all monitor AP and how it goes. If it is doing well then, we would like to participate but if it is not meeting our norms then we will calibrate our efforts there, so that is as far as AP is concerned. Now the other question we discussed, and I mentioned earlier, about states like UP, Bihar, Jharkhand, Odisha, and Rajasthan. They show some promise and so on a lower base they have not been so badly impacted compared to other large states, but overall last year's sentiment was rather low and the call we took given the huge pressures on revenue was to go very conservative in terms of costs and not put too much cost upfront. We have been very cautious in the new states given the overall environment of the industry, but we have some good strategies. As the industry moves ahead, we will take a more aggressive position, but the short answer is that we have decided not to push so aggressively compared to what we thought. We will re-prioritize whenever it becomes favourable.

Moderator: Thank you. The next question is from the line of Aditya Shah from Vikram Advisory Services. Please go ahead.

Aditya Shah: Sir I have two to three questions as of now. One is regarding our market share currently and the second one is the growth expected for the industry and us since the last two years were degrowth. The third question is about the 8% to 9% revenue, which came in H1 from the non-government business, what was that in H2 and for the full year and what is your plan to increase up to what percentage in the next year, FY2023?

Ashok Sharma: Increase what.

Aditya Shah: Increase the percentage of non-government business in FY2023?

Ashok Sharma: Thanks Aditya for coming on this call and asking these questions. Now if you look at EPC every year consistently, we have been growing by 0.4% to 0.5% on our market share most of the years and if I look at the last three years' data, we have grown by an average of 0.4% year-on-year. Today our market share is between 6% and 6.5%. I must also caution that these are estimates. There is no reliable data available through independent sources. This is based on our estimates of other players at the all-India level and the state level so this percentage could be a little bit off in terms of absolute numbers. The trend has been a gradual increase in market share and the reason again is very important. Our company has always focused on the customer and our product quality & services are perceived to be the best in the market. This product requires service and handholding to the new farmer who is buying the system for the first time, starting from the design of this equipment because each lot has to be customized. The design has to be customized for that plot. Proper installation has to be done and then the farmers have to be properly educated for using it well. Coming to the second question about growth. It is a tough one because the industry is going through quite a difficult time in the last two years, but when I look at the positives i.e., the dormant states wanting to get active, price increases will make the industry attractive but also there is the downside of the raw material cost, which the industry has to deal with in the short term. So, we estimate that in H1, there will be a single-digit kind of growth, 5% to 10% and in H2 depending on how the monsoon goes and how the policies unfold, in the positive scenario, 5% to 12% could be the annualized growth rate depending on various factors. This is our current estimate, in the next call we can update based on the new data available. As far as Mahindra EPC is concerned, we do not give any specific forecast or our forward revenues projection, but what we can share with all of you is that our attempt and efforts are always to grow faster than the industry, which we have also demonstrated in the last few years. We will always ensure that we put all the efforts & strategy to ensure we are growing better than the industry. That answers your second question. Now when we say non-government business, we mean non-subsidy business. I think two years ago, I had mentioned on the call that looking at COVID and other factors, we want to now develop this portfolio. Now there are three to four subsegments in that. The first segment is the thin-walled drips meaning low mm thickness. These are offered to farmers at a lower cost, and

they have a smaller life, but they do the job as good as the regular drip and they are available outside subsidy. Another segment is government-linked projects, but not subsidy linked. In this, the government issues tenders and notices and the companies are encouraged to work with the government. We can choose to decide, which project to work on depending on the payment terms and the past interactions with the governments. So, we select projects which are having good payment terms and we execute them. The third segment is exports, and the fourth segment is the non-subsidy business for farmers who are not eligible for subsidy. We also have a database of our old farmers since we are in this business for many years. We are reaching out to them, those who are not eligible for subsidies are encouraged to go for the non-subsidy product. This is on non-subsidy business. As I mentioned before, last year we did around 15% non-subsidy business. This year the thrust continues, so that is where we are Aditya.

Aditya Shah:

Sir to follow up with that, the pricing changes that the Telangana government made, let us say the other governments do not make any kind of price changes then if we were to sell the micro-irrigation products to the farmers at these prices without the increase, do we sell it at a loss or a very minor profit?

Ashok Sharma:

We can see from the last quarter's financials that are in front of you. With the old prices, this was the performance. At a topline of Rs.66 Crores, we almost broke even with the current cost and pricing structure. So, if the cost and pricing get favourable, then obviously things are positive for us. If the cost does not get favourable but the price gets marginally favourable, then a little better scenario emerges. Though let us say cost gets adverse and price does not change, then we have a worse scenario coming. So, we have to see how the market unfolds.

Aditya Shah:

Sir, from 2011 to 2015 just going a bit back if I look earlier the raw material cost had been for the four years when just when Mahindra acquired EPC between 60% and 65% and even after that the operating margin was positive between 5% and 9%; I believe the change in the business model by paying higher sales commission is creating a bigger drag on the net profits because today with 63% raw material cost our operating margin is negative 3% versus a positive 5% to 9% in 2011 to 2014 or 2015. Now Sir why is this change done and can we change it again to have the cost savings and efficiencies that we talk about?

Ashok Sharma:

Aditya the material cost which you are saying in that period was not so high. We can look at the data, but as per my memory, it was not so high because raw materials are experiencing this high cost in the last two years. We had one year in 2017 or 2018 when the cost was higher. Now the second point which I want to highlight is that in the early days, our material cost was higher than in 2016, 2017, and 2018, the reason was we were having higher dependence on the sprinkler business. In those days we used to have almost 75% to

80% business of sprinklers, which has a lower margin and higher material cost. The remaining 25% was drip business. Over the years, we have moved away from sprinklers towards drips and as a result, our margins have increased significantly. Another point, we need to talk about is that in the early years, 2011 to 2014 the pricing was largely based on Maharashtra and Andhra markets and the commission & payment system was different. We used to have less commissions for Maharashtra because of the nature of the model. When Tamil Nadu came in, our commissions started increasing more, so as a result, our commissions went up but overall, our margins remained the same. So overall the trend is much better in terms of margins, but I will ask our team to connect with you later on and exactly share the data on, 2011 to 2015 period.

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

Rajan Shah: Good afternoon, Sir. First of all, thank you for the opening remarks. They were very informative. I had certain questions. One was this last quarter Rs.66 Crores of topline which we did does it include any price hikes or all the price hikes have happened post-March 31, 2022?

Ashok Sharma: Next question.

Rajan Shah: The next question was in your opening remarks you mentioned that in 2021 we saw a degrowth of 20% and in 2021-2022 we saw a degrowth of 25%? Does that mean there was a net drop of 40% in the industry in these two years? Are we still looking at this 12% growth Sir? If there is a 40% drop if we want to regain these two years of losses in the current year and assuming that the industry grows back to 2019-2020 levels, are we not looking at a higher growth because 5% to 12% seems to be very, very low Sir? I would also like to know, as you mentioned in your opening remarks that Telangana has given a 20% rise in prices. Assuming that other states give a 15% rise and net it is 15% across the country and if the industry were to go back to 2019-20 levels are we looking at a revenue of beyond Rs.300 Crores for the current year? That was my question and a little bit on the greenhouse turnover expected because you said we had some good orders for the current year and sir any new states we have entered. One more question. The last two years were very stressful for many companies, so is the industry seeing reduced players right now at this point because of the stress? For the last two years many of the smaller players may have got wiped out, so is the scenario such that smaller players are facing stress and may wind up their businesses or something like that. If you can give me some idea?

Ashok Sharma: Sure. Thank you very much for asking some very important questions. Starting with the first question. In this Rs. 66.7 Crores, there is one price increase which has happened by the

Gujarat State Government, they announced early on around September – October on a 5% to 6% increase. Telangana happened just after that this year. So, to answer your question, only Gujarat is in the range of 5% to 6%. The second point which you said is true, that is the industry has gone down by almost 40% in the last two years and it is a matter of concern for the country. It is a major issue that the PMO and state governments are thinking about. So clearly there is a need for the industry to go back to previous levels. We are taking this view Rajen because we were cautious and conservative in our approach as we have seen in the past that while we aspire, sometimes things don't fall in place for various reasons. Also with the state government workings, sometimes it is internal bureaucracy, sometimes elections, and sometimes other new factors. So, we would rather prepare ourselves in terms of the cost structure and expectation management. As the industry looks good, we can gear up too. We have the capacity, a presence in all the markets and can easily ramp up production with our plants in Coimbatore, Vadodara, and Nasik. We have a very good supply chain available too. Hence, for us to achieve Rs.300 Crores is not a problem. Let us see how it goes. As of now, what we think is a more conservative and reasonable view. We will see how Q1 goes, and things emerge. I would love for the industry to grow reach the FY2020 levels and we achieve record business, but we will have to wait and watch. Now if 15% standard price increases happen and the governments are having the proper funds then it will be a turnaround and we will be going back to the good times of 2017, 2018, and 2019 when the industry was doing well, but we will have to wait and watch and after last year, we want one or two quarters to see something on the ground before we start hoping. We are still not seeing those signs, to be honest. In May or June if two or three governments follow price increase like the way Telangana has done then we will be in a better position to communicate and plan for it. But one thing I can assure all of you is that in terms of our readiness to grow faster than the industry, we are prepared because we have all the wherewithal. We have a strong brand, strong manufacturing capability, supply chain capability, and efficient working-capital management. All those systems and processes are in place which is a positive for our company. Coming to Top greenhouse, it is slowly coming of age, but again it is a small business. I do not want to give an impression that it is going to grow exponentially and impact a big percentage of the total revenue, but yes, the growth rate is going to be much higher and we want to grow that business much faster. The traction which we are getting from some segments is quite interesting. We hope to grow that business by 25% to 30% this year. If we get a good response, we will be even higher than that. Now regarding competition in the last two years, your point is valid. We have seen that a lot of smaller regional players have withdrawn or just slowed down, reducing their whole capacity and manpower. A lot of these companies have reduced their cost and many companies which were small to medium size have had a lot of financial issues in terms of not getting payments from markets like Andhra where they were aggressive at some point in time and did not have proper rules for working capital. To that extent, it is encouraging for larger players like us and three to four other companies, who are well

managed but having said that, I must also hasten to add that if the industry goes up in the next one or two years, then as the entry barrier is not high, it is very easy for these players to come back again fast as they are all opportunistic. New players can always keep coming in. Rajen I hope that answers your questions. I think we are running out of time.

Rajan Shah: One question, you said Gujarat has done a 5% to 6% hike so we can expect one more hike of another 10% or something like that right?

Ashok Sharma: We have made a pitch and the GGRC has been open. They are working on it. I think the state governments and the bureaucrats understand because they have the data in front of them. They can make out the cost increase. They know everything, so that way they are quite positive. Let us see how they react as they have been open. The industry has done a very active job. Our association has been working very hard to explain this to all the stakeholders.

Rajan Shah: Fine thank you and all the best.

Moderator: Thank you. The next question is from the line of Vijay Kumar an individual shareholder. Please go ahead.

Vijay Kumar: Good evening. It has been a good performance despite a lot of macro issues that are plaguing us, I think most of the questions are covered by my colleagues or friends, I have one or two more. One is that knowing this business, more of government subsidy lead 80% to 90%, are we looking at adjacencies like precision agriculture or any other space like we have got into agri or any other thing that we are looking at to grow faster because there will always be challenges in micro-irrigation. It looks very lucrative, but I know it is a very tough business, to begin with, so is there any opportunity as a group I have heard that the CEO of Mahindra Group talking about fluctuations in agriculture as a priority for the group, so will Mahindra EPC play a big role in that?

Ashok Sharma: Anything else Vijay.

Vijay Kumar: Sometime back the group was also talking about consolidation within Mahindra Agri pockets, so anything on the near horizon? I know it is at the board level or M&M entity level, but is anything possible in the next medium-term to longer-term?

Ashok Sharma: Vijay, coming to your first question. You are right, we need to have lesser dependence on the state government and that is the path we are taking. As I mentioned that from 1% we are at 15% and we are to further progress. That is with the products which I discussed in the past. The second thing we are now working on is the greenhouse project. We expect the

greenhouse project to come of age in the next few years and start adding a significant contribution to the company. So these two are already there in the realm and you are aware of it. Now we are also studying some other areas which we can leverage. Even in the last call, there was a suggestion by one of the members on the opportunity of manufacturing PVC in some other area. This we are evaluating and studying. There is no finalization now, but we are looking at that space. We are also mindful that we do not want to dilute our strategic core, and we would like to keep the focus on the farmer and not get into too much unrelated diversification. That would also be one of the criteria we would keep in mind. Coming to the question about precision farming, micro-irrigation is precision agriculture which is one of our important precision farming methods. There are other precision farming methods which are being thought but they are not in Mahindra EPC. They are in the M&M space of tractor business. They are being incubated and thought through, but clearly, we have synergies, and we work together so wherever precision irrigation is required, EPC would come into the system, and we would contribute there. As far as your next point about consolidation, we cannot comment. There is nothing available to discuss now, but as and when there is something, we will keep you all updated.

Vijay Kumar:

Thank you.

Ashok Sharma:

Thank you Vijay and can we have the last question because it is almost close to five so let us take the last question if any.

Moderator:

Thank you. The last next question is from the line of Aditya Shah from Vikram Advisory Services. Please go ahead.

Aditya Shah:

Sir as a follow-up, I wanted to ask what is the sales data from Samriddhi centres owned by Mahindra and what is the percentage of sales which are direct sales? Also, the person before me asked about the consolidation within the group, so I believe from the public data I have is that there are Mahindra Agri and Mahindra Summit and all of those companies together probably have around Rs.500 Crores to Rs.600 Crores of turnover, so together do Mahindra at a group level plan to having a large entity which can have Rs.1000 Crores of turnover and which can have better cash flows?

Ashok Sharma:

Aditya let me just first confirm your point which you discussed about material cost. So your observations were right and the answer which I gave was also right in terms of the commissions and in terms of the mix. Also, in 2011 – 2012, when Mahindra acquired the company, we also had to make some investments in people, organization, IT etc. That was the kind of journey we had then. Now coming to the question of synergy with Samriddhi. Roughly we do around 8% to 10% of business through Samriddhi centres and it is done at arm's length. We also use their tractors dealers, their reach and presence. We also have a lot

of joint efforts on the field in terms of promotions through joint farmers meetings, etc., so that the farmers see Mahindra as one and that is a unique strength which we have. That is an important image and brand identity in addition to sales. Coming to your question on consolidation, I think it's an option which is always there for the management to review and consider, but as I said before to Vijay, currently there is nothing on the cards which I have to update you. These are options like there are many other options too, so when the time comes, we will keep you all updated.

Aditya Shah: Thank you, Sir.

Ashok Sharma: Good. Thanks a lot so with this can we end the call now.

Moderator: Sure Sir. Would you like to add any closing remarks?

Ashok Sharma: I just would like to thank each one of the participants for their wonderful support and interest in Mahindra EPC and your valuable questions. I hope everyone was satisfied with the answers. I look forward to connecting again in our next call after the H1 results. Let us see how the industry goes. If the industry goes well, I am sure we will have some good news to talk about. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, on behalf of Mahindra EPC Irrigation Limited that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.