mahindra EPC

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Date: April 25, 2025

To,

The General Manager, **National Stock Exchange of India Limited** Exchange Plaza, C-I Block G, Bandra Kurla Complex, Bandra (East), Mumbai 400051	**The General Manager,** **BSE Limited** Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai- 400 001
NSE Symbol: MAHEPC	**BSE Scrip Code: 523754**

Sub: Transcript of Earnings Call with Analysts/Institutional Investors/Funds – pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations")

Ref: Intimation of Analyst / Investor Call vide letter dated 11th April, 2025

Dear Sir,

This is further to our letter dated 11th April 2025 wherein we had given advance intimation of the earnings conference call held on Monday, 21st April, 2025 with several Analysts/Institutional Investors/Funds.

In compliance with the SEBI LODR Regulations, please find attached the transcript of the earnings conference call held on Monday, 21st April, 2025.

We hereby further inform you that the aforesaid transcript is available on the Company's website at: https:www.mahindrairrigation.com

Kindly take the same on record.

Thanking You

Yours faithfully,

For **Mahindra EPC Irrigation Limited**

Ratnakar Vasudeo Nawghare

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Ratnakar Nawghare
Company Secretary and Compliance Officer
Membership No. A8458

Place: Nashik

"Mahindra EPC Irrigation Limited Investors Conference Call"

April 21, 2025

MANAGEMENT: MR. RAMESH RAMACHANDRAN – MANAGING DIRECTOR, MAHINDRA EPC IRRIGATION LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Investors Conference Call hosted by Mahindra EPC Irrigation Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance in 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. Ramesh Ramachandran – Managing Director from Mahindra EPC. Thank you and over to you, Mr. Ramachandran.

Ramesh Ramachandran: Thank you. A very good afternoon to all of you. On behalf of Mahindra EPC, I would like to sincerely thank you for joining this meeting. Thank you also for continuing to take a keen interest in your company.

As customary in my introduction, I am going to touch upon some key insights and developments in the micro-irrigation industry. I will also touch upon our industry outlook and some points on our preparation as your company to address the opportunities that lie ahead. Following my introduction, we will have our Q&A session.

So get started, let me begin with a macro view of the micro-irrigation industry in India:

All of us know the importance of agriculture in our country. It continues to be a major sector for India's growth and sustenance. Other than the likely growth of 3.8% in agriculture and allied sectors, India is likely to see faster growth rates in the secondary, i.e. manufacturing, construction, electricity, utilities sector, as well as the tertiary sector, which is mainly the services sector. And those growth rates would be in the range of 6.5% and 7.2% respectively.

We also know that there is a strong focus on Atmanirbhar Bharat and Make in India. What this means is a real push for the secondary and tertiary sectors while balancing the growth in the primary sector. What does this mean for our industry? Let me explain. Let us look at these national ambitions in the context of water availability. The national ambitions to grow at these growth rates in the secondary and tertiary sector in the context of water availability, which is absolutely essential to achieve these ambitions.

Last year, around July 2024, and I've referred to this before and I will continue to refer to it in the future, Moody's ratings expressed concern over growing water stress in India. As a result, they projected a possible adverse impact on the country's credit health. In their suggested measures, investments in water infrastructure was highlighted as a critical action for the country. This finding and conclusion will, I am sure, resonate with many of you as you read newspaper articles like I do about the water tanker crisis in many urban cities across the country. The fact is that to support the actual rates of growth that India seeks and to support the required rates of growth in manufacturing and construction as well as services, a larger share of the water available in India needs to be made available for these sectors.

With a natural limit on the sources of water, a lot of the water required for these sectors, therefore, needs to come from a reduced consumption in agriculture. This reduction will come from all types of surfaces and groundwater conservation and recharge projects. But it will also come from on-farm water management, which includes farm water use efficiency improvement in how we use water on the farm. In short, it will come from micro irrigation, which addresses on farm water use efficiency, farm productivity, and farmer income improvement. So along with addressing the issue of helping us to use water better, this also aligns powerfully with the honorable Prime Minister's vision of doubling farmer income.

As I have mentioned in previous investor calls, there are various studies that clearly prove the benefits of micro irrigation to the farmer in savings such as fertilizer, labor, electricity, which all are in the range of 20% to 30%, and also improvement in productivity in the range of 30% to 40%. In fact, in a recent address by the honorable Agriculture Minister to the parliament, it will state that 9.7 million hectares has been covered under micro irrigation so far. My impression is this is still only about 14% to 15% of the total identified current potential for micro irrigation in India and that potential is estimated at 72 million hectares.

This estimated potential, while very large, is based mostly on groundwater availability and only some portion of surface water. If most of the surface water in India is also assumed to be available for agriculture, then this potential of 72 million hectares would just be double. But at the end of the day, it is not only about the potential for micro irrigation in the country, it is also about compulsion. If we look at the increasing water stress, moving to micro irrigation at scale will become a compulsion over time as our very sustenance comes under threat. This is indeed why the governments at the center and the state have supported the industry with an umbrella subsidy scheme or PDMC, Per Drop More Crop.

While this is very well intentioned and very much in the national interest, it is important to understand exactly how implementation of the scheme works. While the Government of India issues guidelines, defines boundary conditions such as unit cost norms, funding from various state governments is equally important for the effective implementation of the micro-irrigation scheme. In fact, a major part of the subsidy is controlled by the states. So smooth synchronization between the central government and state governments is essential for the efficient functioning of the micro irrigation scheme.

Let me now talk about growth trends in the micro irrigation industry:

The question is, is there and has there been good levels of growth in the industry? Well, the answer to that depends on how far back we look. Between FY'16 and FY'20, the industry deed grow strongly at approximately 20% CAGR or compounded annual growth rate in hectares covered. But then multiple factors hit the industry. In FY20, including skyrocketing raw material prices, price capping of products by the government, changes in priorities of policy implementers in some states, as well as dormancy of certain key states that had been very active in micro irrigation so far, and that till then run strong and active subsidy schemes. As a result of all these headwinds from FY'21 onwards, with all these headwinds and these challenges, and also with the full impact of COVID in play, the industry faced a very challenging environment, resulting in subdued performance. However, the industry started growing again. If we compare F'21 to F'24, we do see a bounce back of the industry and a growth of 5.1% compounded annual growth rate in lakh hectares covered as per the official site of the PDMC.

Coming to the year under review:

For the year under review, which is FY'25, the first half of FY'25 saw a de-growth over the same period of FY'24 due to strong headwinds on account of general elections, which I am sure you're aware of. However, the second half of FY'25 for the industry was much better than the first half and the industry grew in the second half compared to the same period in FY'24.

Against that industry context, let me now come to the performance of your company in FY'25. In what we estimate as an industry that has had a slight degrowth or is nearly flat versus FY'24, your Company has registered a growth of around 4%, with Rs. 275.1 crore as our total Income versus Income in F'24 of Rs. 265.5 crores. Also, the company has improved its bottomline, delivering a PBT of Rs. 10.71 crores for F'25 versus a PBT of Rs. 2.43 crores in F'24.

What delivered this performance? It was through a combination of number one, growth in the non-subsidy revenue, and I will speak about this in a little more detail later. Number two, improved performance in certain key states that offer good growth opportunity. Number three, improving our product mix between drip and sprinkler. I will speak a little bit more about this later. Number four, good commercial discipline, which we've been emphasizing in the last few investor calls. And number five, good cost controls, which also we have referred to earlier.

Raw material prices have indeed been favorable. During the year, raw material prices were soft to stable. And this, along with other strategic sourcing initiatives that we have carried out, have together enabled your company to deliver a material cost saving of 2.6% versus FY'24. The rest of the material cost saving, which you might have noticed, which is 4.8%, that can be attributed to what we would call the mix impact. A different mix of business in F'25 versus F'24, a different mix of states in F'25 versus F'24, and a different mix of products in F'25 versus F'24, all of which have contributed to helping us have a lower material cost in F'25 versus F'24. For the fourth quarter of F'25, your company registered a revenue of Rs. 97.43 crores versus Rs. 73.78 crores in F'24. This is a growth of 32%, which is in fact the highest ever Q4 revenue the company has registered so far. That also translated to a good performance of the bottomline with the PBT for Q4 F'25 coming in at Rs. 9.43 crores versus Rs. 2.1 crores of Q4 F'24.

The revenue phasing for the year, however, has meant that there has been a skew towards the second half of F'25. In fact, over 45% of the annual revenue has come in the last four months of the financial year. As a result, as of 31st March 2025, the debtors were higher versus the previous years. But this, of course, is a normal phenomenon in any year where we have a significant skew towards the last four months of the year. The amounts mentioned are collectible in near future other than the revenue skew on timelines, the skew towards certain opportunity states that I had mentioned before, which have longer collection cycles and have delayed fund release, that too has led to our increased debtors. But overall, your company has mitigated to a great extent the impact on working capital through the efficient management of its inventory as well as its payables.

Looking forward for a minute, we do think that the industry is nearing an inflection point. After the challenges and subdued growth in the last few years, some encouraging trends are visible. First, stable raw material price environment. Though these are not enough to take us to the F'20 material cost levels, they do look softer than in the recent past. Our only caveat here is, of course, that geopolitical events may have some impact on this outlook. Number two, successive years of good monsoons and an above-normal monsoon predicted this year should also be helpful. Number three, riding on efforts by the government and by the industry as well as the visible effects and benefits of micro irrigation, we do believe that an increasing number of farmers are getting aware of the benefits of micro irrigation, which may in turn lead to improved demand. Number four, increasing sustainability awareness in urban regions will also lead to the improved usage of micro irrigation and is likely to improve demand in retail markets too. And this will help the non-subsidy part of our business. Number five, the policy environment is showing some encouraging signs.

And I am going to share a few data points here about the policy environment:

- The first data point is something that I've shared before and something that is often repeated by the honorable Prime Minister who is pushing for 1 crore hectares or 10 million hectares to be covered in the next five years. And this translates to 2 million hectares a year versus what we estimate to be a 1.1 million hectares of micro irrigation actually done in FY'25. So very, very big ambition there.
- The second data point is certain states like AP, which have really taken the objective of micro irrigation very seriously and have requested assistance to cover 3,00,000 hectares a year over the next four years. As reference, FY'25 AP coverage was 1.2 lakh hectares. So again, a very high level of ambition.
- The third data point is that in F'26, currently active states in micro irrigation, such as AP, such as Telangana, such as Gujarat, Tamil Nadu, all of them are expected to remain active, giving a positive push to the industry.
- My fourth data point, and this is something that we've mentioned earlier, is that few states in the North are also showing an increased interest in micro irrigation. They are showing growth for the last couple of years. With processes becoming more and more transparent, these states are also likely to contribute to the overall industry.
- The fifth data point is that micro irrigation subsidy programs now include farmer producer organizations and their projects.
- The sixth data point is that multiple ministries are now actively working on laying a roadmap and looking at the convergence of schemes and policies. For instance, the groundwater uses efficiency scheme through Atal Bhujal Yojana, the inclusion of pressurized piping systems in the detailed project reports for major irrigation projects, the modernizing of command area development and water management. In fact, in a recent cabinet meeting, this has been approved as a sub-scheme under Pradhan Mantri

Krishi Sinchayi Yojana with a budget of Rs. 1600 crores. The effect of this, of course, will be realized in improving the area and the micro irrigation in the future.

All these, in our view, are early signs of a positive environment. And to unlock this opportunity, we do believe that very strong coordination is required between the central government and the state government for the efficient management of the schemes and the regular disbursement of funds. Well, that is good for the long-term prospects of our industry.

How are we as Mahindra EPC geared and how are we gearing to tap the opportunities that lie ahead? As we've mentioned in previous calls, your company is learning from the past and is working very hard on shock-proofing itself by reshaping its business. Steadily improving the consistency of the business is very important for us. So we have done a lot of groundwork in the following areas. First, in the subsidy business, we have reduced business concentration risk with a better balance across states and across geographies. Secondly, in the subsidy business, we have strengthened our processes and defined a tighter commercial policy on how to balance opportunities of growth, opportunities of profitability, as well as prudent working capital management. Third, we have continued to improve cost efficiency and productivity. Specifically, we've kept a tight control on manpower costs and manufacturing efficiency. In fact, manpower costs, which are at Rs. 31.8 crores, represent only a single digit growth compared to F'20 levels, despite the increments that we give each year. Also, manufacturing rejections are at sub 2% levels, which is much better than industry average. Four, we have re-engineered our supply chain to manage distributed manufacturing with satellite units, while our main unit continues to be in Nashik controls freight and processing costs, at the same time, improving utilization of assets.

Fifth, we started improving our coverage in emerging markets such as the North of India. Six, we have strengthened internal capabilities to address the non-subsidy segments such as thin wall business, institutional sales, and small mid-sized irrigation projects. In fact, as a consequence of this, you will be happy to note that we have reached a 33.4% contribution of the non-subsidy business, which was a mere 3% contribution to the total business in FY'20. Specifically, speaking about the non-subsidy business, in the projects area, we have an unrecognized work order pipeline of Rs. 76 crore for irrigation projects.

Besides this, of course, in the non-subsidy area, we are also exploring exports markets. As we create a more stable, more consistent and steadily growing revenue base, we will look at margins. With the improvement in the subsidy business, our margins will improve particularly to our business in the higher margin states and in the non-subsidy business, which we are growing. As our brand gets established like it already has in the subsidy business, we will start commanding a better price and better margins.

As I come to the end of my information sharing session, I'd also like to touch upon one more point. This is the M&M's parentage of Mahindra EPC. As you know, Mahindra & Mahindra is a blue chip company with the highest standards of corporate governance and transparency. We as Mahindra EPC benefit from this. M&M also has a strong track record of manufacturing and marketing excellence, which will start benefiting your company over the next few years.

To summarize and conclude:

We feel that the micro irrigation industry will, like any industry, go through some ups, some downs. But the long-term outlook is very compelling. And in the medium term, we as Mahindra EPC are well-placed to take advantage of both our unique benefits from our parentage, as well as the emerging opportunities to deliver above industry performance.

And this brings me to the end of my information sharing session. Thank you very much for listening. We are now open to questions and answers.

Moderator: Thank you. We will now begin the question and answer session. Anyone who wishes to ask a question may press '*' and '1' on your touch-tone telephone. If you wish to remove yourself from the question queue, you may press '*' and '2'. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we'll wait for a moment while the question queue assembles. Once again, a reminder to all the participants that you may press '*' and '1' to ask a question. First question comes on the line of Aditya Shah from Vikram Advisory Services Private Limited. Please go ahead.

Aditya Shah: Hello, Sir. Good to be talking to you after a brief gap. So my first question is regarding the material cost margins. As I can see from March 24 over March 25, we have a savings of around 7%. Now, if I translate that 7% into rupees, it comes to around Rs. 19 crores. So, like-to-like basis, the operating profit should have been Rs. 25 crores instead of which is Rs. 14 crores. So, my question is, where are we losing that Rs. 11 crores? Because as I can see, there are lesser provisions over our trade receivables for this year compared to last year. So where are we losing money even though when we have cost advantage, material cost advantage?

Ramesh Ramachandran: Yes, so I will just give you a little flavor. Aditya, first of all, good to talk to you again. Always a pleasure to interact with you. So let me just give you some perspective on the material cost. So like I mentioned in the call, if we analyze our material cost variance, there is a 7% difference between F'25 and F'24. Some of the difference comes from a reduction in the raw material prices, and that contributes to about 2.6% of the 7%. About 2.6% of this comes on account of the mix of revenues we have. And specifically, because we have had a much higher share from our irrigation projects in F'25 versus F'24. So 2.6% of the 7% variance comes from over-indexing our sale in the irrigation projects business. Another 1.6% comes in terms of our product and market mix, which means that when we sell more drip irrigation, when we sell more in certain states, then that is also favorable for our material cost as a percentage of revenues because those states give us better pricing. But if I were to simplify, the main reason would be that we have had a much higher share of project sales where our material costs tend to be lower than in the subsidy segment. But our onsite expenses for such projects are much higher. And onsite expenses, we might have said this in previous calls, is a combination of various things. So onsite expenses tend to be much higher in the projects business, but the material costs tend to be low.

Aditya Shah: So Sir going forward, considering the change of the mix that we're planning to have and sustain it over these years, over the coming years, what kind of operating profit margin is something that should we work with which can be sustainable? I can see that the March 25th quarter, we have an operating margin of around 10% for the quarter. But let's say when I see for the full year, it's 5%. Obviously because of the first two quarters were bad. But on a consistent basis for the next three, four years, what is the kind of operating profit would we be targeting irrespective of the changes in material costs? Because as you can see, I have a 10-year view in front of me from 65% to 58% to 47% to 53 and all of that. This is the lowest material cost we've had. Obviously, for the reason you mentioned as well. But the profitability doesn't come. So for me to predict what kind of margins can we work with is something which will help me evaluate the business more?

Ramesh Ramachandran: Yes, I understand. So what I would say is that if you look at the longer term and if you look into the past and you no doubt have also looked into the past, you can see that our operating margin in the more stable years has been in the range of 6% to 8%. And there was a phase where it was relatively consistent.

Aditya Shah: It could have been 13, 15, yes, 6% to 8% is consistent, correct.

Ramesh Ramachandran: Yes, that was a relatively consistent phase. And then came the more tumultuous period where the operating margins, like I mentioned in my speech as well, we had the whole issue of raw material prices soaring, changes in policy, COVID, etc. Then it's taken a while for our industry as well as us to get back to those levels of predictability. Obviously, we would have an ambition to keep increasing our operating margins as we go along. But immediately, if we are able to get back to a certain level of stability that we saw between F'15 and F'20, then we would treat that as our first milestone. Not necessarily our last milestone, but our first milestone.

Aditya Shah: That's good to hear, but I would just like to point out that while we're talking about coming back to 6 to 8% at that point of time, the material costs were between 56% and 60%. So considering 46%, I think we could do better. One more question I have is the provisions that we take on our receivables, do they really go bad or probably just it takes time for us to receive them back and hence we are providing due to ECL or really some of it doesn't come?

Ramesh Ramachandran: Okay, so there's sort of two questions in there. On the first one, actually one not so much a question. The first one you had a comment and then the second one is more of a question. So I just reflect on your comment as well. Aditya, the mix of our business will also not stay the same and not all parts of our business will necessarily have the same level of margin. What will happen is that every part of a business has a role in how we are looking at the future of the business. Some parts of a business will help take out some of the inconsistency and unpredictability of a business that is operating only in the subsidy space because as we all know, it is cyclical and somewhat difficult to call. So we are shaping a business that has a certain level of consistency and outlook, a certain level of predictability to keep everybody more comfortable with the organization's future. We need to look at different types of opportunities and not all of them will necessarily have the same level of margin. So it all balances out. So while yes, the raw material prices were higher than in those years compared to today, some of those counter effects would be the fact that areas of businesses that we choose to get into in order to give more smoothness to our future may not necessarily have the same level of profitability. So we're keeping all that in mind when we kind of design our future.

Aditya Shah: I really appreciate that part because I have been looking at this company probably for last 10, 15 years. And the most irritating part you would say was the non-predictability. So I am very glad to hear that we are moving towards predictability of earnings even with lesser margins. That is fine, absolutely fine, as long as it is predictable. So that's really nice.

Ramesh Ramachandran: Correct. So, I mean, that is definitely a very, important criterion for us. It is a work in progress, but I just want to reassure you as an investor that is very, very important for the management and for the shareholders as well, the primary shareholders. So that's point number one. Now when it comes to your second question was on the provisions part of it. Now, you know this industry very well and you've been a student of this industry and invested in this industry for quite a long time. And the subsidy market is, it's got its own dynamic. Our clients essentially, our payers are state governments and state governments have a payment cycle. Then it is for any market player, anybody in the industry to decide how much exposure they want to take, how they want to operate in different states to what extent and everybody makes their own call based on their own management strategies and business strategies. Now the fact is that the payments do come but they take different times to come and you know…

Aditya Shah: Is what my burning point is they don't go bad.

Ramesh Ramachandran: Yes, correct. But having said that, every business will have a different appetite for how much exposure they want to take irrespective of the fact that they don't go bad. You still you have to run a business prudently and you've talked about this business in the past in a very, astute way as you know, it is a bit like a bank and to some extent that is true.

Aditya Shah: That's true sir. Nice to hear those answers, Sir. And I hope the coming two, three years or five years are better than what the last five were. And happy to remain invested.

Ramesh Ramachandran: Thank you very much, Aditya. We are working hard to ensure that.

Moderator: Thank you. We have a question and that is from the line of Jigar Shroff from Financial Research Technologies Private Limited. Please go ahead.

Jigar Shroff: Thank you sir for taking my question. Sir, I had a couple of questions. I think most of the questions which Aditya asked have been answered, which I had. Sir one is that on and often we keep on reading in the paper that Netafim is very aggressive in terms of providing micro irrigation solutions to optimize for water usage. So if anything, you could share what we are doing to increase our penetration? Secondly, Sir, I mean, there has been an appointment of Ami Goda as a Non-Independent Director. So, I mean, could you please tell does she bring the benefit, I mean, to the company for appointing her? And thirdly, sir, any other plans to start any more satellite centers, in view of more proactive policies by other states, Sir? That's it, Sir. Thank you.

Ramesh Ramachandran: Jigar, thank you very much for your questions and very nice to interact again after we had our previous interaction. My pleasure. So very good question. So let me just take them in not necessarily in that order, but I will answer all the three questions. The first one on Ami. So she is the Head of Finance of the Farm Equipment Sector, which is in Mahindra & Mahindra. That sector, which looks after our mechanization business, our farm machinery business, our Agri business as well as some other businesses that roll into the Farm Equipment Sector. And she is the CFO of that business. She understands the mechanization space very well. She understands the farm equipment space very well. She understands the agriculture space very well. And as you might have seen, that she has a previous background in very, very big established industries like General Electric. So, she brings a lot of value and also helps us leverage some of the synergies that we believe we will get from being part of the Farm Equipment Sector in Mahindra & Mahindra. So that is as far as that point is concerned.

The second point you mentioned was around any satellite units. Now this is something that we're always reviewing and it's a good point you're making because we have to keep optimizing our supply chain basis the markets that we are focusing on from a sales and marketing perspective. And as we look at our strategy of growing our presence in some of the markets in the north of the country, which have in the last 3, 4, 5 years shown very promising growth markets like Rajasthan, markets like UP, MP and Chhattisgarh, we are already there. As we grow and build more of a critical mass of revenues in these states, it makes sense for us to relook at our current structure in terms of satellite units. And today we have a satellite unit in Coimbatore and we have a satellite unit in Baroda. Now, do we want to relook at this in light of the growing sales opportunities in these states? The answer is yes and we are currently in the process of figuring out where exactly to locate that satellite. So that it becomes more cost effective for us to service the demand in these emerging states like UP, Rajasthan, MP etc. And that will flow through in terms of our savings on freights and savings on processing costs.

The third point you mentioned was about how are we generating demand? And we had mentioned some of the competitors and what they are doing in order to generate demand. So needless to say, we have a lot of things that we do to generate demand. This has to do with actual demonstrations on farms, where we go to farms and we show them the benefits. We show farmers the benefits of micro-irrigation in terms of productivity, in terms of electricity saving, in terms of labor saving and this is really done by people on the ground in the last mile in partnership with our channels. We also take support from the Mahindra & Mahindra team, which has an extensive dealer network, as you know, for tractors. And that gives us some very unique opportunities to get some synergy with the efforts that they are undertaking to reach out to farmers to drive demand generation for their products. We tie up with them and we get benefits of those kinds of events as well. In addition, we look at new segments which are in the area of institutions. And in all these areas as well, we have an on-ground mechanism to demonstrate our products and demand. Besides this, we have a lot of innovation going on at the back end in terms of gravity feed systems, in terms of innovations within our thin wall products like QPC Lite, etc.

So it's a combination of what we are doing on the ground to show the power of micro irrigation to farmers who have so far not been keen to adopt it, to segment or new types of customers who have so far not been aware of the power of micro irrigation, but at the same time at the back end to look at product innovation as well. So that our range becomes more appealing to a wider range of customers out there. I hope this answers your question.

Jigar Shroff: Yes, just as a follow up to the non-subsidy business, the sales are made to whom, Sir, mainly?

Ramesh Ramachandran: Sorry, can you repeat that Jigar, the non-subsidy segment, the sales come to…?

Jigar Shroff: The sales are made to farmers, is it? The non-subsidy business?

Ramesh Ramachandran: No, so the non-subsidy segment, I mean frankly non-subsidy is a business that comprises many different sub businesses and those sub businesses include farmers as well as non-farmers. So in non-subsidy we would include any purchase by a farmer of micro irrigation without the benefit of subsidy. So there are farmers who do not need subsidy to buy the micro irrigation equipment, which can be either ISI quality, in which case it is more expensive, or it could be non-ISI quality, which we call the thin wall segment. So in the non-subsidy, you do have farmer revenue, which comes from selling micro irrigation without the benefit of subsidy. But we also have segments which are not farmers, which are like institutions. So that actually for us is a very interesting idea and is something that we're looking at to grow. Exports is also something that we would improve in our non-subsidy space.

Jigar Shroff: Okay. And the margins are lower in this, vis-a-vis the subsidy business?

Ramesh Ramachandran: Yes. So, I mean, what tends to happen is that within all these examples that I gave of non-subsidy businesses, even within them, there is margin variability. And some of them would be relatively close to our subsidy segment, but some of them would be less than the subsidy segment.

Jigar Shroff: Okay. And the last question, Sir, what is the reason for the huge increase in other expenses?

Ramesh Ramachandran: So the other expenses, like I was mentioning to Aditya earlier, it includes the impact of the growth in our irrigation projects. Now, like I said, the growth in our irrigation projects, which has been substantial this year has led to our ability to grow our overall business by 4%. If you recall, when I spoke in the investor speech, I had said that the industry as a whole has probably de-grown this year. And at best, it has stayed flat. That is our estimate of how the industry has gone. And in that industry, which has probably de-grown, we have grown 4%. Now, one of the main reasons for that is that we have done well in growing our non-subsidy business. And one of the main drivers of that is your irrigation projects. So while that has helped our topline and revenue growth, it has a certain cost structure. And like I was explaining to Aditya, that cost structure helps us reduce our material costs because they consume less materials when we run these irrigation projects. But these irrigation projects have other expenses in terms of onsite installation, civil work, labor etc. So all that reflects in our other expenses.

Jigar Shroff: Okay. So last question, sir, if I may.

Ramesh Ramachandran: Of course.

Jigar Shroff: I mean, overall, sir do we expect in the next four years for our turnover to double from here?

Ramesh Ramachandran: We will definitely work towards that, Jigar, and we are also here to bring a realistic but good level of ambition to our business. We don't provide forward outlooks as you know, but at any point of time, we will always work with this kind of mindset that no doubt you are hinting at. This is the way this business should think about the future. We will no doubt think about the business in that manner.

Jigar Shroff: Because we're always growing at 20% CAGR from FY'16 to '20, right?

Ramesh Ramachandran: Yes.

Jigar Shroff: So now with all the other this thing COVID out of the way and better raw material prices and the dormancy of the states have also reduced. Can we anticipate, I mean, at least a 15%, 17% CAGR for the next three, four years, sir, you think?

Ramesh Ramachandran: I get boring when I keep saying this, but unfortunately, I do, we don't give any outlooks for the future. So difficult to comment on that point, but needless to say, we will be very focused on growing faster than the industry. And we will be very focused on bringing to the business more of a consistency in the way we grow our business. I mean, those would be the things that we are definitely going to focus on. I think good things will come from that.

Jigar Shroff: Based on your interactions with various states, you would be optimistic, right?

Ramesh Ramachandran: Right now, we are seeing good things. But we all do know that the subsidy-driven market, it ebbs and flows.

Jigar Shroff: Okay. Thank you so much and best of luck.

Ramesh Ramachandran: Thank you, Jigar.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions, we have reached the end of question-and-answer session. I would now like to hand the conference over to Mr. Ramesh Ramachandran for closing comments.

Ramesh Ramachandran: Thank you for those very enlightened questions from our investors. I'd like to now bring my investor call to a close by thanking you for being present on this call, thanking you for your continued engagement and support of your company. We look forward to our next investor call in a few months. Good afternoon and goodbye.

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