Operator: Good day and welcome to the Mahindra EPC Irrigation Investors conference call. As a reminder, all participants' lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ramesh Ramachandran, Managing Director, Mahindra EPC Irrigation Ltd. Thank you and over to you, sir.

Management: Thank you and a very good afternoon to all our listeners. On behalf of Mahindra EPC Irrigation Ltd., I would like to sincerely thank you for joining this call. Thank you also for continuing to take a keen interest in your company. As is customary in my introduction, I will start by touching upon some key insights and developments in the micro-irrigation industry, our industry understanding, as well as some points on the company's approach to address challenges and opportunities. Following my introduction, we will have a Q&A session. So let me start with a macro view of the micro-irrigation industry in India.

As there might be some first-time attendees, I will take up points related to the macro environment which you have heard before and which may be of a repetitive nature, but are important nevertheless to set the context. India continues to demonstrate resilience as one of the fastest growing large economies supported by strong domestic demand, sustained public capital expenditure, and policy continuity. We all know agriculture continues to be the backbone of our nation, engaging nearly 65% of India's population and contributing around 18% to India's Gross Value Added (GVA). As per the Ministry of Statistics and Programme Implementation, the real GVA of the agriculture and allied sector has been estimated to grow by 2.4% during FY26, as compared to 3.8% witnessed during the last year, which was FY25.

Apart from meeting domestic requirements, India has also rapidly emerged as a net exporter of agricultural products in recent years. In the last couple of years, the exports of agricultural products from India have been in the range of somewhere between 48 billion dollars to 53 billion dollars. The growth economy during FY26 continued to remain influenced by three things: extended monsoon distribution and intensity, input cost dynamics—in terms of fertilizers, power, and labor—as well as government support mechanisms. Rising cultivation costs and climate-related risks are increasing the relevance of solutions that improve input efficiency and productivity. Micro-irrigation, by enabling savings in water, fertilizer, energy, and labor, while at the same time improving yields, continues to be viewed as a value-enhancing investment by farmers rather than a mere capital expense.

The global outlook for the micro-irrigation and agri-solutions sector over FY27 and beyond indicates a few critical areas. Firstly, structural demand drivers that arise from water stress, climate adaptation, and food security concerns. Secondly, near-term volatility in energy, polymer, and logistics costs driven by geopolitical developments. Thirdly, increasing policy and institutional support for water use efficiency and sustainable agriculture. And fourthly, a greater emphasis on productivity-enhancing investments in emerging economies. While cost pressures may create short-term challenges, the IMF assessment indicates that investment in water-efficient agriculture infrastructure is likely to accelerate globally, creating sustained opportunities for players with technology, scale, and execution capabilities.

However, with 18% of the world's population, India has access only to 4% of global fresh water resources. Agriculture alone consumes over 80% of India's fresh water withdrawals. As per current estimates, per capita water availability in India is expected to drop from 1,545 cubic meters in 2011 to 1,140 cubic meters by 2050. It should then classify India as a potentially water-scarce nation. Additionally, India is likely to see faster growth rates in the secondary and tertiary sectors, including manufacturing, construction, electricity, and utilities. To support the required rates of growth in these sectors, a larger share of water available in India needs to be provided to these sectors. Hence, there is a natural limit on sources of water. Much of the water required for these sectors needs to come from reduced water consumption in agriculture. This reduction will come from all sides: surface water, groundwater conservation, and recharge projects. But also, it will come from on-farm water management, which is where micro-irrigation comes in, and which includes farm water use efficiency improvement. This context puts micro-irrigation at the very heart of India's sustainability and economic transformation initiatives.

Micro-irrigation addresses three of India's core goals: First, water use efficiency. Second, productivity improvement. And third, doubling of farmers' income. As I have mentioned in previous investor calls, there are various studies clearly proving that micro-irrigation benefits the farmer by saving costs such as fertilizer, labor, and electricity in the range of 20-30%, while at the same time improving productivity by 30-40%. With this background, as we look at the potential and the existing penetration of micro-irrigation in India, we see only about 17-18% penetration of the total identified current potential, which is 72 million hectares. This estimated potential is based mostly on groundwater availability and some portion of surface water. If most of the surface water is also assumed to be available for agriculture, then the potential for micro-irrigation will just double from the 72 million hectares. In other words, there is a big upside for this industry.

Let me now share some key trends and observations from CRISIL. The first is on policy-driven demand. Demand for micro-irrigation is heavily guided by state and central government subsidy and budgetary allocations. While the sector has seen long-term growth, short-term demand can be volatile and impacted by election cycles, such as in FY25, as well as agricultural policy changes. The second observation from CRISIL is on working capital intensity. Companies in the sector, including key players, face high working capital requirements due to delayed payments from state governments resulting in high receivables. The third observation they make is on industry restructuring. Leading firms are shifting focus towards cash-and-carry models, reducing dependence on EPC projects with long payment cycles, and expanding into non-subsidy-based products to improve their liquidity, which exactly is what your company is doing.

The fourth observation is on operating margins. Profitability is sensitive to fluctuations in raw material prices and the ability to pass on cost increases to government bodies. As your company is demonstrating, there are ways to manage this through product mix and market mix. The fifth observation is on market position. CRISIL highlights a strong market position for key players with established dealer networks and strong parent support. Your company is a good example of one such. With this in background, the Government of India has set an ambitious target of covering 10 million hectares over the next 5 years, aiming for 2 million hectares annually. The commitment of the central government is evident from the fact that in FY26, for the first time, the central government issued 40% of its annual fund allocations to the states in the form of Mother Sanctions by May 2025. The same trend is likely to continue in FY27 as well with a possible improvement.

However, it is important to note that achieving this requires not just a central government push and policy, but consistent state-level execution, availability of state funding, and price mechanisms that are linked to input costs. The synchronization of all these priorities at the central and state levels will show a positive impact.

Let's now talk about FY26. This year was a year of La Niña and hence the southwest monsoon saw above-normal rainfall, 107.9% of the Long Period Average (LPA) to be precise. While this meant better groundwater availability in the longer term and assured a better Rabi season for FY26, it posed challenges for the micro-irrigation business in the first half of FY26. The incessant rains from May until as late as October impacted micro-irrigation demand as well as installations. On the other hand, H2 saw better industry demand, which your company took full advantage of. That said, H2 was negatively impacted by challenges on fund releases by certain key states. In the last two months of FY26, the industry was impacted by extreme geopolitical disturbances. Specifically, in Q4 FY26, raw material prices suddenly shot up due to tensions in the Middle East. To illustrate the magnitude, in February 2026, the average PE pipe grade saw a significant price increase. Additionally, at this high price, availability was also an issue. With limited supplies at OEMs, the industry had to resort to traders for stock buy. Various OEMs had indicated the shift of priorities to LPG and other essential petroleum products.

Despite all these challenges, your company registered its highest-ever revenue in FY26. This is a consequence of specific choices made by your company and outlined in earlier investor calls, including its diversification into shorter collection cycle revenue streams such as irrigation projects and non-subsidy business, as well as its focus on certain key states. In what we estimate as an industry that may register a growth of 6-7% versus FY25, your company registered a growth of 14.8% with 315.8 crores in revenue versus the FY25 revenue of 275.1 crores. This growth was despite the challenges faced in Q4 FY26, a quarter which saw the highest ever raw material prices accompanied by the challenge of states not releasing funds as planned. In the face of this, your company registered a Q4 growth of about 11%.

Coming to the full-year bottom line, your company significantly improved the bottom line and delivered a PBT of 17 crores for FY26 versus 10.7 crores in FY25. This was despite the additional provision of personnel costs of 2.1 crores towards past service costs owing to the notification of the Code on Social Security 2020. The improvement in bottom line came through improved revenues, a slight improvement in variable margins riding on the 1% saving in material costs, which primarily came from an improved state mix, product mix, and business mix.

A couple of words on the bottom line of Q4 FY26, where the company registered a 6.4 crore PBT versus 9.4 crore last Q4. This is impacted by the steep rise of raw material prices in March as well as a heavy revenue skew of Q4 FY26 towards March. I would like to explain the impact of raw material prices in a little more detail as it might be on some of your minds. While raw material prices have been favorable for most of the year except March 2026, the sharp increase in prices in March, amplified by our revenue skew towards March, did impact the full year. However, it was compensated for by the softer raw material prices for the major part of the year. Net-net, the increase in material costs observed was also mitigated by our strategic sourcing initiatives and our conscious work on the state mix and the product mix. All this helps us manage the raw material cost increase in March. Overall, for the full year versus last year, we delivered a material cost saving of 1%

expressed as a percentage of revenue. In Q4, however, our material costs did go up by 2% versus last Q4 because of the steep surge in raw material prices in March versus February.

A few words on the business: this was an exceptional year from a receivables perspective. Despite a smoother process of the Mother Sanction released by the Government of India, key states took longer to release the state mandatory funds and the state top-up funds. This led to a pile-up of receivables for the industry in FY26, which significantly increased over the FY25 opening status. Your company demonstrated high revenue growth of 20% in the last four months of FY26, which has also impacted the closing balance of its receivables, taking the closing balance to a higher level than the previous year. Your company did well to mitigate this number from increasing further by improving the non-subsidy share of its business to an all-time high of 35%. Overall, while high receivables in key states is an industry-wide phenomenon, your company is happy to report that, following past trends and current health checks of receivables, most of these have been acknowledged and are in the final disbursement stages in these respective states. This endorses its recoverability as and when the funds are made available.

The overall performance to sum up in FY26 was delivered through a combination of growth in irrigation project business, improved performance in certain key opportunity states, improvement in product mix, good commercial discipline, and good cost controls.

Let me switch back to the state of the industry for a bit. We think that the industry is nearing an inflection point. After the challenges and slow-paced growth we saw years ago, some encouraging trends are visible. First, once these geopolitical crises are over, the raw material price environment is expected to stay balanced. Though these may not be enough to take us to FY20 material cost levels, they are likely to stay range-bound. The only caveat is that geopolitical events are difficult to predict, and hence we see reason to be cautious from Q1 FY27. Second, though FY27 is predicted by some agencies as an El Niño year, there is still the possibility of near-normal monsoon. With the groundwater situation improved due to successive years of good monsoons, FY27 should not be very challenging on account of water availability for micro-irrigation led crops.

Third, riding on efforts by government and industry, as well as the visible benefits of micro-irrigation, we believe that an increased number of farmers are getting aware of the benefits, leading to improved demand. Fourth, increasing sustainability awareness in urban regions will lead to improved usage of micro-irrigation and improved demand in retail markets as well. Fifth, the policy environment is showing encouraging signs. For example, the honorable Prime Minister is pushing for 10 million hectares to be covered in the next 5 years, which translates to an average of 2 million hectares a year versus the 1 million hectares covered in FY25. Also, key states such as Andhra Pradesh may get additional assistance to cover larger areas over the next 4 years starting in FY27. Several active states like Andhra Pradesh, Telangana, Gujarat, and Tamil Nadu are giving a positive push to the industry. We also think the recent GST changes, such as the reduction from 12% to 5%, are likely to have a positive demand impact in the medium to long term.

Sixth, industry bodies are pursuing reforms in the fund disbursement process with the Government of India and key states. The effect of this began in FY26 with a smooth release of the Mother Sanctions to the states, and this will be pursued further for better central and state government synchronization. All in all, we see early signs of a positive environment. To unlock the opportunity, we need strong coordination between the central and state governments and the regularizing of fund disbursement. As the business environment gets stable, we believe the industry could show good growth.

How are we as Mahindra EPC geared to tap these opportunities? As we have mentioned in previous investor reports, your company is learning from the past and working on shock-proofing itself by reshaping its business. In the last 24 months, the industry has seen many events such as the election code of conduct, the temporary market impact of GST change, extended rain-imposed challenges, and geopolitical crises. The industry was subdued at 1 million hectares in FY25 versus 1.1 million hectares in FY24. This is estimated to improve by 50-70% in FY26. Despite these challenges, your company has shown consistent growth better than industry both on the top line and the bottom line, with a 14% compounded annual growth in the last 4 years and solid bottom line improvement. Steadily improving the foundations of the business leading to consistency and predictability is very important for us.

We have done groundwork in several areas. First, in the subsidy business, we have recalibrated our presence in various states to reduce business concentration risks. Second, we have strengthened processes and designed a tighter commercial policy for optimizing revenue, profitability, and working capital. Third, we have continued to improve cost efficiency and productivity. For example, manpower costs in the last 4 years have gone up only at a compounded growth rate of 5.3% versus 14% revenue growth, despite inflation. Manufacturing rejections are at sub-2% levels, which is much better than the industry average. Fourth, for better control over freight and processing costs, we have been efficiently managing distributed manufacturing with satellite units, while our main unit continues to be in Nashik. This has also improved our asset utilization.

Fifth, we have started improving our coverage in emerging markets such as North India, where we have seen early success in states like Uttar Pradesh. After an exploratory two years, we now have a stable base in UP and we have grown by about 28% in FY26 versus last year. Sixth, we have strengthened internal capabilities to address non-subsidy segments such as the thin-wall business, institutional sales, and irrigation projects. In fact, we have reached a 35% contribution of non-subsidy business for FY26 from 3% in FY20. Today, we have an unrecognized work order pipeline of about 53 crores for irrigation projects with a further upside of about 20 crores. We are also exploring export markets in coordination with Mahindra & Mahindra's international operations. If we create a more stable, consistent, and growing revenue base, we will also look at margins. With the improvement of the subsidiary business, our margins will improve, particularly through our business in the higher-margin states. In the non-subsidy business, as the brand gets re-established, we will also start earning a better price and better margins.

I would like to briefly touch upon the parentage of Mahindra EPC. As you know, M&M is a blue-chip company with high standards of corporate governance and transparency, which we benefit from. M&M also has a strong track record of manufacturing and marketing excellence. Recently, we have developed projects in collaboration with the M&M sustainability and CSR teams. We are further exploring agro projects. To sum up, while the micro-irrigation industry goes through ups and downs, the long-term outlook is compelling. We are well-placed to take advantage of our unique advantages and emerging opportunities to deliver above-industry performance. That brings me to the end of my session. I will now open this up to questions.

Operator: Thank you very much, sir. We will now begin the question and answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. We will take our first question from the line of Disha Chota from Sapphire Capital. Please go ahead.

Disha Chota – Sapphire Capital: Hello? Am I audible, sir?

Management: Yes, I can hear you.

Disha Chota – Sapphire Capital: Thank you so much for this opportunity. Regarding the raw material price increase: although this year you only saw this impact for March, for the remaining year, what is your expected price increase? What is the price increase you are expecting, and how much of that will be passed on? What sort of impact will it have on our margins?

Operator: I'm sorry to interrupt, Disha. Can you use your headset mode, please? Your audio is muffled.

Disha Chota – Sapphire Capital: Am I audible now? Should I repeat the question?

Management: I do not think I need her to repeat. Disha, your question was about the impact of higher raw material prices in the coming year, given that in FY26 we experienced it only for one month. Is that correct?

Disha Chota – Sapphire Capital: Yes, and on what sort of impact it will have on our margins.

Management: We definitely see volatility in raw material prices as one of the risks for FY27. There are ways we are looking to mitigate the risk by way of our company strategy. This includes focusing on specific products within our mix, selectively looking at price increases in certain markets, and being careful about when we procure raw material. Overall, we see raw material prices as an industry risk. As a result, the industry irrigation association has made a representation to the government requesting a price increase. The government is considering that representation.

Disha Chota – Sapphire Capital: You mentioned you are looking to target specific products in certain markets. Could you elaborate on that?

Management: Yes, every business has its own dynamics. We have a range of products and sell in multiple states, with a strong presence in the South and the West. Within our product and geography portfolio, there are areas where our margins are highest—specific products in specific geographies. We will look very carefully at the right mix for us to pursue given the inflated level of raw material prices. We will structure our approach in the coming months to maximize margin opportunities while driving our top line. This involves a product mix intelligently chosen, geography mix intelligently chosen, and careful timing of raw material purchases.

Disha Chota – Sapphire Capital: Is there a specific number for the EBITDA margin you are targeting? Will we be able to maintain what you did in FY26?

Management: We do not tend to provide outlooks. Our approach will follow the lines I described. We do not have control over raw material prices, but as an organization, we will use the levers at our disposal to manage the business and deliver the best results possible. We are positive that we have identified levers we can manage, but we view raw material prices as a risk.

Disha Chota – Sapphire Capital: Fair enough. Last question: we saw a jump in the other expenses. What was the reason for that?

Management: Other expenses have a few components. The first is project expenses. In our revenue mix, we have subsidy and non-subsidy streams. The largest contributor to non-subsidy is our project revenue stream. Those government projects have better collection cycles and lower revenue volatility, but they have a higher level of variable expenses. When we sell more as part of our total revenue in projects, we tend to see lower raw material costs but higher variable expenses. A large part of our other expenses is really because the mix of business in Q4 skewed towards projects. We have also increased some manufacturing fixed and variable costs, but the primary driver was the mix of projects within our total revenue.

Operator: Thank you. Next question is from the line of Aditya Shah from Vikram Advisory Services. Please go ahead.

Aditya Shah – Vikram Advisory Services: The initial remarks you gave were very informative. However, I would like to point out that if we look at the company on a 1-year, 2-year, or even 5-year basis, the free cash flow and operating free cash flow generation is still negative. Unless we address this issue, even if margins look stable, how do we plan to stabilize this part of the business so we are not just borrowing more?

Management: Thank you for your question, Aditya. It is a good point and the management is very much focused on that goal. The pressure on cash flow in this industry is almost entirely due to receivables. While we have managed working capital through tight inventory controls, receivables build-up has happened in key states where margins are good and there is strong demand. We are currently in a period where there has been a build-up of pendency. We are seeing coordinated efforts at both central and state levels, making concerted representations. There is positive feedback, including the possibility of NABARD interventions to release funds. We believe that as collections normalize, the cash flow will improve. We acknowledge that in this industry investment in working capital is required to drive growth. The key is to balance the business across revenue streams—those with higher margins but more working capital requirements, versus those with lower working capital needs but lower margins.

Aditya Shah – Vikram Advisory Services: I appreciate that, but five years being negative is a long time. When do we see the subsidy part shrinking or the ratio inverting? Currently, non-subsidy is 35%. When will the subsidy portion go down to 35%, as that is the dragger? Also, out of the trade receivables of 217 crores, how much is attributable to the non-subsidy business?

Management: Our share of non-subsidy business has increased from 2% in FY20 to 35% in FY26. This was a conscious choice and the non-subsidy revenue is broad-based. While the larger part comes from our projects business, some comes from ISI-grade products sold to farmers outside the subsidy and some from institutions. We are focused on continuing that trajectory. Regarding the timeline, there is cyclicality in payments. As certain states in the South and West start regularizing their payments—which we expect imminently—our cash flows will improve. About 85-90% of our total outstandings come from the subsidy business.

Aditya Shah – Vikram Advisory Services: It looks like the strategy is playing out if 65% of revenue contributes 85% of outstanding receivables. Hopefully, that 35% non-subsidy reaches 50% next year. Finally, can the company think of new or related products that are cash-and-carry to improve cash flows?

Management: That is a valuable suggestion. We have developed similar products that sell in the non-subsidy part of our business and have better cash flows. We also sell mulch sheets, which is a related product that gives better cash flows. We have other ideas for products to introduce to both increase our top line and improve cash flow.

Aditya Shah – Vikram Advisory Services: Good to hear. It is also good to see the onboarding of Mr. Mehta and Balram Yadav to the board. It looks like we are diversifying the board for a bigger agri reach.

Management: We welcome them to the board. They come with deep industry experience and will add value to our approach going forward.

Operator: Next question is from the line of Milan Shah, an individual investor. Please go ahead.

Milan Shah – Individual Investor: I wanted to know about any capex plans for FY27.

Management: We have capex plans every year. Most of our plans are focused on improving productivity and capacity expansion for our current product lines. For example, we made an investment in power surge equipment which delivered immediate savings in electricity. Whatever we execute, such as the power surge solutions for FY26, has a strong business case with an expectation of quick payback. As other product lines or new product lines improve, investment will follow.

Operator: Next question is from the line of Rajan Shah, an individual investor. Please go ahead.

Rajan Shah – Individual Investor: Good afternoon, Ramesh. How are you? Regarding employee costs, they are up 20% this quarter. Does this indicate you have recruited many people for higher growth?

Management: The company is looking for higher growth, but not by simply hiring more employees. The increase is not due to higher headcount or variable pay. It is largely attributable to the new labor code and the contractual alignment of employee benefits in anticipation of the wage code. This is a direct impact of the new labor code.

Rajan Shah – Individual Investor: There is a prediction for a below-normal monsoon this year. Will this affect demand, or will farmers turn to our systems to ensure their farms get water?

Management: We expect to see the impact play out more in the second half of the year. For strong micro-irrigation sales, the best conditions are a combination of easy availability of groundwater and uncertainty regarding rainfall. When these align, particularly at a critical stage in the crop cycle, it is best for the industry. We will monitor this very carefully.

Rajan Shah – Individual Investor: Regarding the representation for a price hike due to raw material costs, when can we expect government action? Last time the delay resulted in losses.

Management: This is work in progress. It is a matter of daily discussion at various levels. It is difficult to call a specific point in time when discussions will conclude, but it is a top priority for us and the industry.

Rajan Shah – Individual Investor: This will impact the 65% subsidy revenue. For the 35% non-subsidy portion, you can take price hikes on your own.

Management: In the subsidy market, the government is the price giver. In the non-subsidy market, the farmer decides the right price. Like in any industry, we have to see how much of a raw material price increase can be comfortably absorbed by the consumer. We will selectively and judiciously take price increases.

Rajan Shah – Individual Investor: We have been taking projects of 5-20 crores. Any plans to take larger projects of 50-100 crores?

Management: We are preparing for a step-up from our current size. It requires us to align certain internal capabilities and experience, which we are building on.

Rajan Shah – Individual Investor: What is the current order book position for the project business?

Management: We have an opening pipeline of about 54 crores with a further potential upside of another 20 crores.

Rajan Shah – Individual Investor: Thank you for answering all the questions. All the best.

Management: Thank you for your insightful questions and good wishes. We are focused on delivering numbers that satisfy our investors.

Operator: As there are no further questions, I now hand the conference over to Mr. Ramesh Ramachandran for closing comments.

Management: Thank you to the investing community. We look forward to speaking to you again in a few months. All the best. Thank you.

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