

Agriculture solutions provider EPC Industrie has reported a good third quarter result this Saturday.

The company reported a revenue gain of 33 percent to Rs 52 crore and net-profit went up by 350 percent to Rs 3.6 crore on a year-on-year basis.

Speaking to CNBC-TV18, Ashok Sharma, ED of EPC Industrie said that subsidies from Andhra Pradesh and Tamil Nadu state governments contributed around 20-23 percent to revenue this quarter.

Below is the transcript of Ashok Sharma's interview with Mangalam Maloo and Reema Tendulkar on CNBC-TV18.

Reema: Were there any one offs which boosted your financials this quarter or should we expect this Rs 50 crore revenue run-rate sustainable, margins at around 7.5 percent even in the coming quarters?

A: In EPC, we have been working for the last few years to add value to the farmers and we have always focused on quality ensuring that our farmers get the products with good services. Q3 performance was a culmination of the work which we have been doing for few quarters and of course, in Q3, we were supported by some of the state governments like Andhra Pradesh and Tamil Nadu which were not giving the subsidies in the first half, they have opened the new subsidy scheme, so that has helped us a bit.

Reema: Can you give us a number, how much of the contribution was on account of the subsidies from Andhra Pradesh and Tamil Nadu?

A: Roughly, it would be to the tune of 20-23 percent, something like that.

Reema: Of your topline?

A: That is right.

Mangalam: In that case, could you also give us a sense of what the outlook for the next quarter as well as FY17 is on both your topline and bottomline?

A: The policy, obviously, we do not give such specific outlooks, but what I can say is that clearly, the Pradhan Mantri Krishi Sinchayee Yojana (PMKSY) scheme and the farmer's need for having good solutions for water management, given the two droughts which we had in the last two years, clearly see that there will be more demand for micro irrigation systems and I can also see that the State Governments are trying to give a higher priority. So, we expect the industry should do better compared to the last two to three years where the industry has been rather flat.

Reema: Did this subsidy also benefit your margins or are 7.5 percent normalised margins?

A: As you can see from the published reports, there is an impact of the revenue, given the fact that our fixed expenses are now being benefitted by the higher revenue and also, we had a lower base last quarter. And, internally, of course, efficiencies we always keep trying to improve and we try to focus on better margin products. So, subsidies, as a percentage would have remained unchanged over the previous quarters.

Mangalam: Does the company plan to do some consolidation on its agro business?

A: There is no such announcement at this point of time.

Reema: So, no restructuring whatsoever?

A: No comments on this at all.

Mangalam: No comments or no restructuring?

A: No comments on anything on this subject.

Reema: What should we watch out for from the company in FY17?

A: What is important for us is to realise that India is water stressed now and only 9 percent of the arable land is under micro irrigation. And clearly, micro irrigation offers immense benefits to farmers in terms of increased productivity to the extent of 25-30 percent, reduction in cost, reduction in labour. So, all the fundamentals for the growth of the industry are good, and the government is very keen to grow micro irrigation industry. So, as the industry grows, I am sure good players offering good quality, good service will benefit in the time to come.

Reema: Let me come back to that earlier point about restructuring. In fact, there was this statement from Pawan Goenka of Mahindra and Mahindra (M&M). He said that the agri business is being carried out by M&M and some of its subsidiary companies. And we know that EPC is one such subsidiary company of that, and as a group, we continue to examine various possibilities for value enhancement for all our business verticals, though there is no concrete proposal as of now. So, have you at least initiated talks on the possibility that there could be some restructuring, maybe merging of your operations with M&M?

A: My comments remain the same. I am sorry, I cannot comment on this at all.

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