# "Captain Polyplast Limited Q2 FY2026 Earnings Conference Call"

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**MANAGEMENT: MR. RITESH KHICHADIA – WHOLE-TIME DIRECTOR**

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**Moderator:** Ladies and gentlemen good day and welcome to Captain Polyplast Limited Q2 FY2026 Earnings Conference Call hosted by Arihant Capital Market Limited. Please note, 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. Please note that this conference is being recorded. With that, I hand over the call to Ms. Khushi Parekh from Arihant Capital Market Limited. Thank you and over to you.

**Khushi Parekh**: Thank you. Ladies and gentlemen, good day and welcome to Captain Polyplast Limited Q2 FY2026 Earning Conference Call hosted by Arihant Capital Market Limited. With that, I hand over the call to the management.

**Ritesh Khichadia**: Thank you, Khushi. Good afternoon, everyone, and welcome to Captain PolyplastVirtual Earning Call for Q2 FY2026. Thank you for joining us today. The H1 FY2026 period has been a very meaningful one for us, where we have seen solid progress across our core micro-irrigation business and also growing momentum in our solar EPC initiatives. Before we move to the financials, I would like to briefly share some of the key operational highlights and also the direction we are building for the coming periods.

First, let me share the progress in the solar EPC segment. During the half year, the major progress has been on the solar pumps side. We have secured empanelment under the PM-KUSUM program in both Maharashtra and Gujarat. We have received an initial order for 200 off-grid solar pumps worth Rs.5.97 Crores and subsequent to that another 300 pump order worth Rs.8.17 Crores from MSEDCL. Since most of these orders were received towards the end of H1, the majority of revenue of these orders would be accrued in H2. These order wins reinforce our execution capability and also strengthen our confidence in the solar pump vertical. As we are seeing a clear growth opportunity in the solar pump segment, we have also started work on the product side. So we have partnered with experienced vendors to develop a range of Captain branded off-grid solar pumps from 2 HP to 20 HP sizes. The initial feedback that we have received from the farmers for these pumps has been very positive. So we have already received MNRE technical approvals for certain solar pumps and also we will continue to improve the offering as we penetrate deeper into the solar pumps market. We believe there is ample opportunity for us to grow the solar pumps business as we focus on getting empanelled in other states as well under PM KUSUM similar to our extensive network in the micro-irrigation business. In the solar EPC segment, along with the renewed focus on solar pumps, we continue to focus on expanding our rooftop solar EPC business as well, where we are seeing good traction in markets outside Gujarat, where we have opened up in the last couple of quarters. So this sums up the highlights for the solar EPC segment.

Now let me come to the MIS segment, which is micro-irrigation business. Over the years, micro-irrigation has remained the backbone of our business, contributing to more than 90% of our revenues. In the micro-irrigation segment, we remain one of the leading players, not only in India, but globally as well make our focus on quality, reliability and technology. In micro-irrigation business our strategy has been to focus on improving sales mix from non-subsidy segment including commercial sales and sales of allied products. We are seeing good results from this strategy as the mix of sales is moving towards that line. Additionally, we are also looking at expanding presence in export markets, where we are already having presence in certain countries and we are looking at adding more countries. The upcoming Ahmedabad plant will further expand our capacity in the micro-irrigation segment and also improve efficiency, particularly in manufacturing critical components and accessories for the irrigation systems. Looking ahead, there are clear tailwinds and opportunities in both of our business segments. On the policy side, the Government of India continues to promote the adoption of micro-irrigation with a target of covering 10 lakh hectares in 5 years under Per Drop More Crop initiative. For the solar segment as well, there is very good policy support for farmers under PM-KUSUM and for residential customers under PM Surya Ghar Yojana. Along with these policy initiatives, the recent reduction of GST rate from 12% to 5% for micro-irrigation and solar products augur well for demand of our products with improved affordability. So we remain well placed to capture these opportunities in both solar and MIS business. With our established presence across major agricultural states, we are well positioned to leverage these reforms and also strengthen our role in sustainable agriculture and clean energy.

Now, let me dive into the financial highlights for Q2. In Q2 FY2026, the company delivered strong performance with total income rising to Rs.80 Crores compared to Rs.54 Crores in Q2 FY2026, which was a Y-O-Y growth of 48%. This was supported by growth in both our MIS business and solar EPC business. The EBITDA increased by 23% Y-O-Y to Rs.8.24 Crores and the EBITDA margin stood at 10.29% The profit before tax, excluding last year's exceptional gain, grew by 65% year -on-year to Rs.5.76 Crores. The net profit for the quarter was Rs.4.24 Crores with an EPS of 0.71. With that, I would be happy to take your questions.

**Moderator:** Sorry to interrupt. Ritesh, you are able to hear me?

**Ritesh Khichadia**: Yes, I can hear you.

**Moderator:** Yes. So currently we have multiple attendees who have attended the call. We will wait for the queue to assemble. So thank you everyone. We will now begin with the question and answer session. Anyone who wishes to ask a question may click on the Raise Hand Icon from the participant tab on your screen. We will wait for the question queue to assemble.

Requesting all attendees, if they wish to ask a question, please click on the Raise Hand Icon. We have our first question coming in from Lakshay Kataria, who is an investor. Mr. Kataria, please go ahead and ask your question.

**Lakshay Kataria**: Thank you. Am I audible?

**Moderator:** Yes. Please go ahead.

**Lakshay Kataria**: So congratulations on a fantastic Q2. I had three questions. One, if you could give us a little color around, what sort of growth do you expect at an overall level? And then within the irrigation and the solar business in the next two to three years. That will be really helpful. Second, from a profitability perspective, is it fair to assume that irrigation, because it is in-house manufactured, has the maximum margins when compared to some of the newer businesses, which are more probably not fully integrated or more trading in nature? And third, a little bit colour on the working capital requirements and receivables in particular as you grow in the future? Those are the three questions. Thank you.

**Ritesh Khichadia:** Thank you, Lakshay. So, first I will share on the margin side, which you asked for the different segments. So, as you rightly said that in the micro-irrigation segment, most of our products are manufactured in-house. So, definitely the margin profile for the overall MIS system is much better compared to the solar EPC side. On the solar EPC side, there are multiple segments where we are operating, right. So if you see the rooftop solar segment, that is a very competitive space where there are multiple vendors, and there is little entry barrier. So in that segment, the margins are comparatively lower than the margins are on the single digit side. Whereas if we compare the solar pumps business, that is a different sort of a business where it is not only a traded product, but also there is added service with respect to generating the demand from farmers and also execution and installation of the pump. So there the margin is better. It is almost similar to what we are seeing in the micro-irrigation business. So right now, as we grow more towards solar pumps, the margin for the entire solar EPC segment would also improve compared to what it is currently. And on the working capital side, if we talk about the micro-irrigation business, for the entire industry, the majority of micro-irrigation business comes from subsidy support from the government. So naturally, then the working capital cycle is higher. It varies from state to state, but it is typically five to six months across various states. On the solar EPC side, there is almost very negligible working capital requirement for the solar rooftop segment, as it is a completely cash and carry or retail sort of a business. On the solar pump side, which we have just started there, the since there is again dependency on the government subsidy, the receivable cycle would be around two to three months, which we are expecting at the moment as we go ahead, we will get more idea on that as well. So I think I covered two questions. Can you please come back with the third question that you had asked?

**Lakshay Kataria**: Yes. If you could also, first of all, thank you very much that is really insightful. If you could also give us some colour in terms of how you are thinking about the growth in terms of numbers for the next two to three years in these segments.

**Ritesh Khichadia:** Right. So for the micro-irrigation business, we are targeting growth of 25% over the next three years. So if you see the entire industry, it is growing at around 15%. So there we are targeting a growth of 25% where we would be growing in the existing markets only as we are fairly penetrated across major markets in India. So there we are targeting growth of 25%. For the solar EPC business, now that we are going into the solar farm segment, we see a very fast or very aggressive growth in that segment. If we see the current orders that we have, although if we take both the orders together, it is coming to around Rs.13 Crores. But compared to the size of the solar pumps market, that is fairly negligible. So as we scale aggressively on solar pump side, we are expecting that the total solar EPC business would, right now it is around 15% of our total business. So over three years, it should become 50-50. So there would be much faster and aggressive growth on the solar EPC side.

**Lakshay Kataria**: Perfect. Thank you very much.

**Moderator:** Thank you so much. We have our next question from Gunit Singh of Counter Cyclical. His question is capacity across segments and current capacity utilization?

**Ritesh Khichadia:** Right. So if we see our manufacturing capacity, all of our manufacturing capacity is for the micro-irrigation segment. So existing, we have two plants, one at Rajkot and one at Kurnool. So in micro-irrigation, the machines which are there for manufacturing drip line, which is the major component. So there are multiple SKUs which can be manufactured from the same machines. So generally, we in the industry as well, we do not track capacity utilization. How we see is that from the existing capacity, what is the maximum micro-irrigation business that we can generate. So, considering our Rajkot and Kurnool capacity, we can comfortably do a micro-irrigation business of Rs.400 Crores. Along with that, we have already started work for new facility at Ahmedabad. So there, our focus is on adding capacity for injection moulding components, which are accessories used in irrigation systems. So that is around 10% of the entire cost of system. So right now, most of these products are outsourced by us. And once this plant is operational, most of these products will be manufactured in-house. And as we grow beyond that in micro-irrigation, we will be able to add incremental capacity at the Ahmedabad plant because we have sufficient space available there. For the solar EPC business, since we do not manufacture the products, for the revenue to grow we do not have a constraint on the capex side.

**Moderator:** Thank you. His second question is revenue potential from current capacity and also he has got another question which says any top line and bottom line guidance for financial year 2027?

**Ritesh Khichadia:** So, as I said that the revenue potential for micro-irrigation business from the existing capacity is Rs.400 Crores. And for the solar pumps business, we do not have a capacity constraint so we can grow as per our business plan. So, as I mentioned in the previous question as well. We are targeting a growth of 25% for the overall micro-irrigation business in next three years. And our solar EPC revenue would become 50% of total revenue by FY2028. So if we talk about growth of solar EPC segment that would be much higher.

**Moderator:** His third question is any margin pressure or competitive pressure in solar EPC? As large number of players are expanding in this segment, what are the demand supply dynamics in solar? Is supply outpacing the demand?

**Ritesh Khichadia:** Right. So in the solar EPC segment, if we talk about residential rooftop segment, then that segment is definitely very competitive and as I already mentioned that the margin in that segment is comparatively lower. So then the operating margin is typically in single digit. But also there what plays a role is how extensive, what kind of extensive marketing network you have, especially in Tier 2, Tier 3 and Tier 4. So if we see our presence across India, majority of our dealers are in Tier 2, Tier 3 and Tier 4. So there the competitive intensity for the rooftop solar segment is comparatively less compared to metro and T1 markets. For the solar pumps business, it is a completely different dynamic. Since there is a dependence on the subsidy, the margin depends on both what kind of prices are determined in the tender for solar pumps and also what are the raw material costs and the time of execution. But obviously, compared to the rooftop segment, the margins on solar pump are much better, and although there is competition, but the competition is also limited by extensive working capital cycle. So compared to rooftop, the working capital cycle in pumps is slightly higher. So there, the competitive intensity gets limited. And that covers the segment which we are presenting. With respect to dynamics in the overall solar segment, I would not be able to answer it perfectly but definitely if we see currently the modulability as a solar EPC player we are seeing very good modulability and also the prices for modules both DCR and non-DCR are reducing over the last couple of quarters.

**Moderator**: Thank you. He has got a follow-up question. What are our current order book in EPC and what is the percentage contribution from EPC to total revenues currently EBITDA margins?

**Ritesh Khichadia:** So breaking up both the segments in the rooftop segment we do not have a fairly extensive order book because whatever orders are received they are executed within top customers so there it depends on routine business getting accrued and getting executed. For the solar

pumps business, at the end of H1, we had an order book of around Rs.14 Crores and we have already participated in another tender in Maharashtra, which is for 1 lakh pumps. So once that opens up, we will get to know how much order we will be eligible for, in the first week of December. So post that, we will again be able to update on the order book for solar pumps. As regards to the contribution from EPC business, currently for H1 it is around 15% of our total revenues. Have I covered everything or is there anything remaining in the question?

**Moderator:** We have another follow-up question from Gunit Singh.

**Ritesh Khichadia:** Okay.

**Moderator:** His question is, is new Ahmedabad unit operational? What kind of products and margin profile of these? Additional revenues from this plant and by when can it be ramped up?

**Ritesh Khichadia:** We are expecting the commercial production to start in the current quarter. The construction is almost completed and some of the machines are also on site. So we are expecting it to be operational by the end of December. We have a fairly large space available. The total land available is 9 acres. And in the first stage, we are going to have a constructed area of almost 70,000 square feet. So in the first stage, we are planning to add capacity for irrigation components like valves, drippers, nozzles. So these are components which are used to complete a micro-irrigation system and they constitute around 10% of the total system cost. So right now, most of these products we outsource from our vendors. And once this plant is operational, we would be manufacturing those products in-house. So in the initial stage, in terms of incremental revenue, the contribution from this plant would not be meaningful but the contribution would be visible in the margin fund as most of the products that we are targeting would be higher margin components and hence the EBITDA contribution would be meaningful.

**Moderator:** Thank you so much. We will take our next question from Anisha Singh of HNI. Ms. Singh, please go ahead and ask your question.

**Anisha Singh**: Hi, sir. I hope I am audible.

**Moderator:** Yes, we can hear you.

**Anisha Singh**: Thanks a lot for the opportunity to ask the question. So, I just wanted to understand that if you look at the EBITDA margin, and comparatively from 2025 to 2026, it has been lowered, like it was before 10.3% and now it is 12.4% so what is the primary driver for the margin compression and how should we model the margins for the remainder of the year

and if you look at the raw material environment the time has been volatile now so how should we consider it?

**Ritesh Khichadia:** So there have been two factors. One is if you see some of the fixed cost like employee cost, it has increased compared to the last quarter. As we have invested in our teams for both the solar business and for the micro-irrigation business. So some of the impact on EBITDA margin has been due to that. And also, with respect to the mix as well, if we see the last Q2, then the solar EPC segment was less than 10%, whereas in this quarter, it was around 15%. So as I already mentioned, till now most of our solar EPC business has been from the rooftop segment, when the margin has been lower. So, because of this mixed change for this quarter, there has been a significant dip. As we go ahead, generally for our micro-irrigation business, which is a higher margin business, the H2 is much more, the business which we do in H2 is much more than what we do in H1. So the margins also improve because fixed costs get absorbed. And in the H2, we will also have contribution from solar pumps segment, where the margin is much better than the rooftop segment. It is almost in line with the MIS segment. So as we go ahead, the contribution for the rooftop segment will not grow. But the contribution from rooftop segment for the overall solar business will grow. So the margins should improve from here on.

**Anisha Singh**: Ok. Can I ask another question also?

**Ritesh Khichadia:** Yes.

**Anisha Singh**: So before you had commented that the benefit of the GST reduction which was 12% before and now it is 5% on micro-irrigation and solar equipment. So I just wanted to understand that would you be able to elaborate on how this reduction has specifically impacted the company's realization and demand pipeline?

**Ritesh Khichadia:** Right. So first, I will talk about the micro-irrigation. As I already told that majority of business for micro-irrigation comes from the subsidy support. So in that model, a part of the system cost is paid by the farmers. And the farmer contribution which is paid, it includes the GST component in most of the states. So as the GST has reduced from 12% to 5%, the farmer contribution which they have to pay for getting the drip system has reduced. So naturally, the affordability for a drip system in almost all the states that we operate in has improved for the farmers. And we will see the results of that in Q3 and Q4. The initial feedback that we are getting from the dealers and from farmers is definitely it has been helpful. So, there is a meaningful reduction in farmer contribution for the micro-irrigation business.

For the solar EPC segment, the major business which we are doing, rooftop segment, so then there is a clear advantage for the customer where the effective GST rate, which was earlier 13.8% because for solar EPC, 70% was considered at 12% and balance 30% value was considered at 18% GST. So the effective GST rate earlier was 13.8. And after the drop, it is at 8.9%. So there is a clear gap of this reduction on the end consumer price, which the rooftop segment customers are paying. So we have seen the benefit of that in states where the adoption was lower. We see states like Maharashtra, MP, UP, their post reduction in GST, there has been good demand for the rooftop segment. So I think for both the segments, the early feedback for GST reduction has been positive. Obviously, as we go ahead, we will get more details on how it is impacting the demand.

**Anisha Singh**: Yes, I got it. Thanks a lot. I also have a few other questions also. We need to understand that if you look at the financials, so in Q25, net profit showed an exceptional gain of something around Rs.16 Crores. So, would you be able to provide the details on the nature of this exceptional gain?

**Ritesh Khichadia:** So there, last year we had divested stake in our group company and due to that there was that one time gain.

**Anisha Singh**: Okay, it was attributed to that. Thank you. So apart from it, I was just looking at this consolidated cash flow and wanted to understand that would you be able to provide me the update on H12026 cash flow from operations and what measures are being taken to improve it after the minor debt ceiling in FY'24 which was around Rs.13 .69 Crores of loss.

**Ritesh Khichadia:** Sorry, can you repeat the question? I did not get the question.

**Anisha Singh**: Yeah, no problem. I just wanted to understand that can you provide an update on the consolidated cash flow from operations of H12026 and what measures are being taken to improve it after the minor dip that was seen in FY2024?

**Ritesh Khichadia:** So, if we generally look at our cash flow in H1 and H2, majority of our payments for the micro-irrigation business that received from the government in the H2, in the Q3 and Q4. So, when we break up the cash flow for H1 and H2, for almost all the years the H1 cash flow from operations is negative because we are supplying to the farmers so the receivables do increase and those receivables are realized in Q3 and Q4. So when we will have a look at the March numbers, the negative cash flow which we have seen in H1, majority of that would get recovered in H2.

**Anisha Singh**: Ok. That is all from my side. I understood. So I will come back in the queue again.

**Ritesh Khichadia:** All right. Thank you.

**Moderator:** Thank you so much. We will take our next question from the line of Gunit Singh of Counter Cyclical. Please go ahead with your question.

**Gunit Singh**: I would like to understand about the new Ahmedabad plant. So are we shifting our existing production from one of our plants to the Ahmedabad plant? That is why not adding to the venues, number one. And number two, you mentioned that that will lead to higher margins. So why exactly would the new plant lead to higher margins? Are we producing some different products there?

**Ritesh Khichadia:** Yes, so the first thing is we are not shifting the production. It will be a new site and the capacity which will be added, it would be incremental capacity. The capacity which we are adding, it is different than what capacities we have at existing plants in Rajkot and Kurnool. So here the majority of manufacturing capacity is for drip lines. So if we see entire micro-irrigation systems, almost 80% of value comes from drip lines. Around 10% comes from PVC pipes and 10% from accessories like valves, filters, nozzles and other components. So right now this 10% value most of the components are outsourced by us. So at Ahmedabad plant, the majority of manufacturing capacity that we are adding right now, it would be for these products. So that is why what I said is that incremental revenue growth would not be meaningful because whatever products we are outsourcing, that only would get manufactured in-house. So the contribution would be meaningful in terms of margin and not in terms of revenue.

**Gunit Singh**: So we will be producing only valves in the new Ahmedabad unit?

**Ritesh Khichadia:** There are many SKUs. There are many types of valves, filters and other irrigation accessories. So the number of SKUs would be significantly higher. These are only some of the categories which I am talking about.

**Gunit Singh**: So the capacity at the new plant, would that be enough to fulfill all our internal demand for these? or for example would we substitute all our outsourcing to this new plant?

**Ritesh Khichadia:** Yes definitely. The initial capacity that we are adding it would be sufficient to meet our in-house demand and post that we will add capacity for the incremental revenue generation which would be in addition to the existing business that we are doing.

**Gunit Singh**: Okay so it would be running at full capacity from day one.

**Ritesh Khichadia:** Yes correct.

**Gunit Singh**: So what kind of improvement in margins should we look at?

**Ritesh Khichadia:** So the overall EBITDA margin for micro-irrigation business would improve by 1% to 1.5% as we fully absorb the Ahmedabad plant.

**Gunit Singh**: Okay, so we should expect around 12.5% margins for FY2027.

**Ritesh Khichadia:** I am talking about the micro-irrigation business. Depending on the mix, the overall margin would also improve by 0.5% to 1%.

**Gunit Singh**: So can you give revenue contribution from each segment?

**Ritesh Khichadia:** The micro-irrigation business is during H1, it was 85% and the remaining was solar EPC around 14%-15%.

**Gunit Singh**: And who are our top customers? Because our trade receivables seem to be a bit stretched. So do we have any plans to improve our debtor days, which are over 200? And also we have receivables over six months, significant receivables over six months. They were about Rs.25 Crores at the end of FY2025. So what is the receivable over six months currently and what are the risks associated with these and who are these owed by?

**Ritesh Khichadia:** So as I said that the micro-irrigation business, the majority of business gets generated from subsidy. So in that model, across the states where we are working, whether it is Andhra Pradesh, Tamil Nadu, Gujarat, or other states, this government is providing subsidy to the farmers to adopt micro-irrigation. So in that model, generally, the farmer pays upfront 10% to 30% based on the size of his farm, his social status, and also the state. So 10% to 30% of the system cost is received upfront either by the government or the farmer pays directly to us. In the balance, which is the subsidy, it gets paid to us from the government side after completing all the processes. So typically, it takes five to six months' time to recover those. So generally, as we do the subsidy business, the receivable days would remain in this range, which is around 200 days. From the industry as a whole, we are taking various steps to reduce that, majorly by liaising with the governments as an industry association so that our payments are cleared on a timely basis. But obviously, we cannot say that with our efforts, we can reduce it, let's say from current 200 days to 150 days in a short period of time. It is a gradual process, but we would see a gradual decline from the current 200 days for the micro-irrigation business.

**Gunit Singh**: Okay, so what percentage of costs are borne by farmers directly and what percentage is subsidy?

**Ritesh Khichadia:** That varies across the states, but it ranges from 10% to 30% and in some cases there is 0% as well.

**Gunit Singh**: Okay, so the farmers pay whatever is going with them directly initially?

**Ritesh Khichadia:** There are two models. In some states, the farmer contribution is collected by us, whereas in some states, the farmer contribution is collected by the government and later on it is reimbursed to us.

**Gunit Singh**: I just want to understand, what is the risk of a farmer not paying us because there have been instances with other companies also where farmers have not paid out their dues?

**Ritesh Khichadia:** So in our case, the model that we are working across states that is an empanelment based model where there is clear policy from the government and whatever business we do for each and every farmer that we supply the material, we have an individual work order. So there is no risk of not recovering the subsidy. The only risk is it getting delayed. This is not a model where there is a single vendor model where we are the only one who are executing the entire work. And in those kind of models, obviously, there are risks associated with payments, but in this model because we are completing work at each and every individual farmer with individual work order, there is very minimum risk for not getting the payment from farmer side or from the government side.

**Gunit Singh**: Got it sir. What would be our growth drivers and who are our main competitors? So is Jain Irrigation one of our competitors and how is the competitive industry in the micro-irrigation sector?

**Ritesh Khichadia:** So as I mentioned earlier as well, for the micro-irrigation business we are targeting a growth of 25% over the next three years. In terms of competition, as you mentioned, Jain Irrigation is one of the players. Apart from Jain, there are other players as well like Mahindra EPC and some of the Israeli companies like Netafim. And also, there are some regional players who have presence in two or three states. So those kinds of players are also there.

**Gunit Singh**: So do we face any threat of margin compression in the future? And also, do our products have any USP or any differentiation as compared to our competitors or is it a monetized market?

**Ritesh Khichadia:** In micro-irrigation, it is not a simple product sale. It is a combination of product and service. So we provide both. We focus on providing a quality product. The replants that we are providing to the farmers, the technology for that has been imported from Israel. So the product that we are offering, it is one of the best available globally. So on the product side,

obviously, we are offering a very good product to the farmer. And the other side is also technical support and service to the farmer. So for that, we need a very extensive dealer and technical salesperson network. So we have a network of 750 dealers who are supported by 250 technical persons from our side. So a combination of these two ensures how we are able to grow the micro-irrigation business, a combination of both product and service.

**Gunit Singh**: So how would you measure the performance of micro-irrigation systems? Is it in terms of minimizing usage of water? What are the KPIs in this? And how does it compare to our competitors, for example, Jain irrigation or any other company?

**Ritesh Khichadia:** On a like-to-like basis, you will not be able to compare products of any two companies. Obviously, if we see from a technical perspective, the end result is how much water gets discharged in a particular timeframe. So in that sense, the product has to meet those technical standards and if two products are offering that then they would be identical. But as I said that this is a complete package, what kind of design you are offering to the farmer and what type of installation is done that will also affect what kind of outcome he is able to get from that. So if any farmer approaches us, we have to design the entire system right from his water source, we have to design the filtration unit, we also have to design the fertigation unit, then we have to design how we will laid the pipeline, and also the drip lines. So, when we execute the work, it will be a combination of both execution and product, which will determine the end result for the farmer and how it gets in the market, it will obviously depend on the word of mouth from the farmers. If we have installed a system in a particular place and there is also some competitor system side by side, then obviously, the farmer would look at over the years, what kind of ease of usage he has experienced with that system and what kind of yields he has got from that system. So there would not be a very simplistic answer for comparison of any two systems in this case.

**Gunit Singh**: Okay, so you mentioned that you use Israeli technology for this. So I mean, do we have some outsourcing arrangements where we import some units from Israel or do our Israeli partners have any monetary interest in our operations?

**Ritesh Khichadia:** No, we have invested in technology. So there has been a clear transfer of technology. So there is no ongoing payments associated with that. Whenever we purchase the machine and technology, there was a single capex where we got the entire technology. Now, whatever production is done, it is based on Indian raw materials and without dependency on the Israeli vendors.

**Gunit Singh**: Got it. So my last two questions would be, what gives you the confidence of 25% growth? I mean, how are you coming at this? Is it because you would be expanding to new regions or there is not much adoption of micro-irrigation by the farmers currently? Number one that.

And number two, do you have any capex plans for the current year or any plans to raise debt for the current year or the next year?

**Ritesh Khichadia:** For the micro-irrigation business, in terms of market presence, we are already present in most of the states where the micro-irrigation business is there in India. So whatever growth we are targeting, it will not be from new areas as most of the areas we are already present in. The growth will come from two things. One is in the existing markets, we extend our dealer network. Wherever untapped pockets are there, we will expand our dealer network and consequent to that, there will be market share gain in the existing market. So the 25% growth which we are targeting, it would be a result of these two things only.

**Gunit Singh**: All right. And any capex plans to raise debt?

**Ritesh Khichadia:** Yes. The capex for Ahmedabad plant, it is around Rs.10 Crores. So, most of that would be incurred in this financial year. A majority of it has already been incurred and whatever is balance, it would be incurred in H2. So, for that, it would be partly our internal accruals and part of it is debt. But obviously because the size of capex is small, debt would also not be meaningful for that.

**Gunit Singh**: All right, got it. Thank you very much. Wish you all the best.

**Ritesh Khichadia:** Thank you so much.

**Moderator**: Thank you so much. Reminder for all the attendees, please click on the Raise Hand Icon if you wish to ask any question. We will wait for the question queue to assemble. We have a follow-up question coming in from Lakshay Kataria. Please go ahead with your question.

**Lakshay Kataria**: Yes, hi. I had a follow-on question on the working capital front and operating cash flows. If the business just sustains margins of 12%, 13% overall, and the receivable cycle is in the range of three to six months for the faster-growing segments, would not this put pressure on the operating cash flows for the next few years? It will be very difficult to even breakeven in cash flow, right? Is my understanding correct?

**Ritesh Khichadia:** So, there are two parts to this. As I said that whatever working capital intensity is there, the majority of that is in the micro-irrigation business where the margin is supportive for that. So, if we, as I already said that as we are talking about operating cash flow in the H1, obviously, there will be a concern because in most of the years our H1 cash flow would be negative but if you look at the overall year then there would be significant recoveries in H2. So, although there is extensive working capital cycle for the micro-irrigation business, but the margins are also supportive of that and because of our experience of almost 28 years in

this segment, we are confident that we would be able to manage that. Whereas if we see the newer segments, the rooftop segments, as I already said, that there the working capital intensity is very negligible and for the solar pumps business, also the margin is supportive. So even if we are considering a cycle of three months, or two to three months for the solar pumps business, the margin on that product is supportive of that.

**Lakshay Kataria**: Right. So if you would just help me maybe I am doing the Maths in a slightly different way but if you could maybe give us some view of what sort of operating cash flow range in the next two to three years one should look at as a percentage of your revenue.

**Ritesh Khichadia:** Well I would not be able to give you an exact number and also there would be a significant variation year-on-year because even we would not be able to perfectly predict the number for any year, but maybe how we can look at this is over 10 years, if we take an average of operating cash flow and operating revenue, then that would be a good indicator of what kind of operating cash flow can be there from the micro-irrigation business.

**Lakshay Kataria**: Thank you.

**Moderator**: Thank you so much. This brings to the end of our question and answer session. As there are no further questions, we will conclude the session for today. On behalf of Captain Polyplast Limited, that concludes today's conference call. Thank you for joining us and you can now click on the Leave Icon to exit the meeting. Thank you all for your cooperation.