

Automat Irrigation Private Limited

January 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	36.42	CARE A; Stable	Reaffirmed
Short Term Bank Facilities	8.20	CARE A2+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Automat Irrigation Private Limited continues to derive strength from consistent growth in the scale of operations of Automat group (being referred to Automat Irrigation Private Limited (AIRPL) and Automat Industries Private Limited (AIPL) on a combined basis), healthy profitability margins and steady operational cash flows leading to lower dependence on working capital borrowing. The ratings continue to derive comfort from comfortable financial risk profile of Automat Group marked by low overall gearing and comfortable debt coverage metrics. Further, the ratings continue to take comfort from extensive experience of promoters, widespread distribution network, well diversified product portfolio, established relationship with customers, favourable government policies and positive industry prospects. However, these rating strengths continue to remain constrained by elongated operating cycle, dependence on seasonal agriculture sector, volatility in the prices of raw material and presence in highly competitive industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operations above Rs.900 crore while sustaining healthy PBILDT margin of more than 20%.
- Reduction in gross current asset cycle below 150 days on sustained basis

Negative factors

- De-growth in total operating income below Rs.500 crore on a sustained basis.
- Deterioration in total debt to PBILDT to more than 1.0x on a sustained basis.
- Sustained elongation of gross current asset cycle more than 240 days.

Analytical approach: Combined approach; While arriving at the ratings of Automat Irrigation Private Limited, CARE has taken a combined view of Automat Industries Private Limited and Automat Irrigation Private Limited due to interlinked business and operational synergies, common brand name "Harit" & "Aqua", cash flow fungibility and common promoter group.

Outlook: Stable

CARE Ratings believes that the entity shall sustain its strong financial risk profile over the medium term on back of its adequate liquidity profile. CARE also believes that improvement in cash accruals of the company over medium term shall further support its liquidity profile.

Detailed description of key rating drivers:

Key strengths

Consistent growth in scale of operations with healthy profitability margins

The total operating income of the group reported y-o-y growth of ~35% and stood at Rs. 686.58 crore in FY24 (PY: Rs.508.79 crore) owing to better capacity utilization and healthy volume growth in some of the major revenue contributing products such as hydro cyclone filter, saaras & mini sprinkler. The PBILDT margin improved by 352 bps and stood at 22.52% in FY24 (PY: 18.70%) owing to the reduction in raw material expenses from ~48% to total sales in FY23 to ~46% to total sales in FY24. The PAT margin also improved to 15.07% in FY24 (PY: 12.39%) owing to improvement in PBILDT along with reduction in interest expenses.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

7MFY25 (refers to period from April 01 2024 to October 31 2024): In 7MFY25 (i.e. April 01 2024 to Oct 31 2024), the group reported total operating income of ~Rs.471 crore, whereby they have already achieved ~63% of the projected income. Further, it has reported PBILDT margin of 19.58% in 7MFY25.

Experienced and resourceful promoters

Automat group has been promoted by Mr. Prabodh Kumar Jain who has an experience of more than 50 years in irrigation components industry. He is ably supported by Mr. Tushar Jain (Director and Group CEO) who has been associated with the group for over 25 years. Moreover, the management team comprises of professionals, agricultural scientists, engineers and technicians having significant experience in the related domain of business operations. Automat group is also one of the largest manufacturers of micro -irrigation systems (MIS) (drip and sprinkler) in India.

Widespread distribution network and established customer relationship

Over the years, group has gradually built an extensive distribution network throughout the rural and semi-urban areas of India with more than 15 dealers spread across the country selling AIRPL's and AIPL's products. The total operating income grew consistently on the back of strong demand for Micro Irrigation System (MIS) products which is also supported through government subsidy. The company has presence in Delhi NCR, Haryana, Rajasthan, Uttar Pradesh, Gujarat, Maharashtra, Madhya Pradesh, Chhattisgarh, Andhra Pradesh, Telangana, Karnataka, Tamil Nadu and West Bengal and is likely to increase presence in other states. Automat group supplies to all leading manufacturer and vendors in MIS projects. The sales to OEMs comprise almost 75-80% of the total operating income.

Well diversified product profile

Automat group manufactures and supplies plastic based irrigation components (under AIRPL) and metal-based irrigation components (under AIPL). AIRPL and AIPL has product portfolio of over 350 products sold under the brand name 'HARIT' and globally under the brand name 'AQUA'. Automat group has well diversified customer base spread across India and is exporting to more than 100 countries (including US, Europe, and Africa). The majority of group's sales are in domestic market (FY24: ~73% and FY23: ~75%) with strong presence in Northern and Western India. AIRPL and AIPL benefits from established marketing network, continuous innovation through strong focus on research and development, and the extensive experience of promoters. Further, the wide product range gives the group competitive edge as compared to its peers.

Comfortable financial risk profile

The total debt profile of the group comprised of term loan of Rs.26.97 crore, loans & advances from related parties of Rs. 2.50 crore and working capital loan of Rs. 1.88 crore. The company had a comfortable capital structure with overall gearing of 0.06x as on March 31, 2024 (PY: 0.08x as on March 31, 2023). Further, the debt coverage indicators also stood comfortable with interest coverage (PBILDT/Interest) ratio and total debt/GCA ratio of 158.43x and 0.26x respectively as on Mar-31 2024 (PY: 66.31x and 0.43x respectively).

Key weaknesses

Elongated operating cycle

The combined operating cycle stood at 111 days in FY24 (PY: 115 days). The operating cycle stood high on account of high average collection period of 120 days (PY: 132 days), which is primarily because of high credit period extended to OEMs as they depend on government subsidies to release their payments from dealers. Despite the operations being working capital intensive, the cash flow from operations for FY24 stood at Rs.72.17 crore (PY: Rs. 37.66 crore).

Exposure to fluctuation in raw material prices

AIPL procures its primary raw material (Copper, Aluminium, etc) from local suppliers in line with the price movements with reference to London Metal Exchange (LME) prices which have shown a volatility trend in the past. While the company is able to pass on moderate hike in prices to end customers, any sharp volatility in the raw material prices can adversely impact its profitability. Polyethylene (a crude oil derivative) is the primary raw material for AIRPL, prices of which have also been volatile. The group does not have long-term contracts with suppliers. However, the group has been able to maintain gross margin above 47% for the past 3 financial years.

Dependence on the seasonal agricultural sector and highly competitive nature of operations

The manufacturing of agro-processed products varies over the course of each year, reflecting seasonal changes in the availability of raw materials. The effects of the monsoon and weather in India, including flooding, droughts and subsequent crop harvesting can be more severe in India than in other countries. MIS and agro processing are subject to risks associated with the vagaries of nature, seasonality and government policies. Automat group's performance is dependent on the seasonality in agriculture sector. With around 46% of the arable land in India still being rain-fed and the problem of water scarcity prevailing in the country, there is potential for the growth of MIS in the nation. Automat group operates in the irrigation equipment manufacturing industry with large number of organized and unorganized players. The highly fragmented nature of the industry restricts the pricing flexibility and bargaining power of the players in the market.

Liquidity: Strong

The liquidity position of the Automat derives comfort from the healthy cash accruals of ~Rs. 128.49 crore during FY25 against scheduled term loan repayment of only Rs.8.15 crore. The current ratio stood healthy at 2.73x as on March 31, 2024 (PY: 2.94x). The average utilization of fund based working capital limits remains low during trailing twelve-month period ending September 2024 (AIRPL: ~1% and AIPL: ~0%). Automat's healthy cash accruals and unutilized bank limits provide it a cushion against cash-flow mismatches, if any, as well as any adverse market scenarios. The group is planning to incur capex of ~Rs.54.36 crore in FY25 pertaining to automation, modernisation, expansion of production capacity and also includes regular maintenance capex, which shall be funded through a mix of term loan and internal accruals in the ratio of 1:5.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Consolidation](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Diversified	Diversified	Diversified	Diversified

Automat Irrigation Private Limited, the flagship manufacturing company of the Automat Group was established in the year 2006, to manufacture plastic irrigation components. The company was promoted by Mr. Prabodh Kumar Jain who has an experience of more than 50 years in irrigation components industry. He is ably supported by his son Mr. Tushar Jain, who has been associated with the group for over 25 years.

Brief Financials (₹ crore) (Combined)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	508.79	686.58	471.90
PBILDT	95.17	152.57	92.42
PAT	63.02	103.48	NA
Overall gearing (times)	0.08	0.06	NA
Interest coverage (times)	66.31	158.43	55.34

A: Audited UA: Unaudited; Note: these are latest available financial results; NA: Not Available

Basis of combination: The numbers have been combined through row-by-row addition of all line items of AIPL and AIRPL after excluding intra-group purchase/sales.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	14.00	CARE A; Stable
Fund-based - LT-Term Loan		-	-	31/05/2026	22.42	CARE A; Stable
Non-fund-based - ST-BG/LC		-	-	-	8.20	CARE A2+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	22.42	CARE A; Stable	-	1)CARE A; Stable (08-Jan-24)	1)CARE A; Stable (31-Jan-23)	1)CARE A; Stable (04-Feb-22)
2	Fund-based - LT-Cash Credit	LT	14.00	CARE A; Stable	-	1)CARE A; Stable (08-Jan-24)	1)CARE A; Stable (31-Jan-23)	1)CARE A; Stable (04-Feb-22)
3	Non-fund-based - ST-BG/LC	ST	8.20	CARE A2+	-	1)CARE A2+ (08-Jan-24)	1)CARE A2+ (31-Jan-23)	1)CARE A2+ (04-Feb-22)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: NA**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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