

**Jain Irrigation Systems Limited** (Revised)  
**August 8, 2019**

**Ratings**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Long-term Bank Facilities – Term loan	783.20	CARE B+; Stable (Single B Plus; Outlook: Stable)	Revised from CARE BB; Stable (Double B; Outlook: Stable)
Long term bank facilities – Working capital	1,650.00	CARE B+; Stable (Single B Plus; Outlook: Stable)	Revised from CARE BB; Stable (Double B; Outlook: Stable)
Short-term Bank Facilities	2,220.00	CARE A4 (A Four)	Reaffirmed
<b>Total Facilities</b>	<b>4,653.20</b> <b>(Rupees Four Thousand Six Hundred Fifty Three crore and Twenty lakh only)</b>		

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

*The revision in the ratings assigned to the bank facilities of Jain Irrigation Systems Limited (JISL) takes into consideration the increasing stress in the liquidity of the company due to delay in realization of debtors. JISL is in discussion with banks for increase in working capital limits to address their immediate liquidity concerns. The enhanced limits are yet to be sanctioned by banks. Uncertainty exists on the timelines and likelihood of obtaining the same in the wake of recent decline in credit profile of JISL and its increased debt levels. Further, the lenders of JISL have also signed an Inter-Creditor agreement which is indicative of ongoing stress in the company. The working capital borrowings of the company on consolidated level had increased from Rs. 1,498 crore as on March 31<sup>st</sup>, 2018 to Rs. 1,917 crore as on March 31<sup>st</sup>, 2019. There were also frequent instances of overdrawals in the company's working capital limits.*

*The rating also factors in a moderate operational performance of the company in FY19. The ratings are tempered by the company's heavy dependence on the agriculture sector and thereby its exposure to government policies, volatility in the prices of raw materials and the increasing debt levels a result of its various debt-funded expansions and growing working capital requirements.*

*The ratings, however, continue to factor in promoters extensive industry experience, well-diversified product offering and market reach along-with a widespread distribution network domestically and globally.*

*Deleveraging of the consolidated balance sheet, improvement in the liquidity position and maintenance of JISL's operating margins shall remain the key rating sensitivities. Also, any further debt funded acquisitions or increasing in working capital borrowings, leading to an increase in the overall debt levels will remain a key rating monitorable.*

**Detailed description of the key rating drivers****Key Rating Weaknesses*****Increased stress levels in liquidity***

As a result of elongated collection period in the MIS segment, JISL has been facing a severe strain on its liquidity position. There has been a steep rise in the utilization levels in the last few months owing to the increased requirement of working capital to meet the business requirement. There were also frequent instances of overdrawals in the company's working capital limits. Although the company has been undertaking several measures to improve its receivables position, it has been unable to bring about a significant change in the same. JISL is in discussion with banks for increase in working capital limits to address their immediate liquidity concerns. The enhanced limits are yet to be sanctioned by banks. Uncertainty exists on the timelines and likelihood of obtaining the same in the wake of recent decline in credit profile of JISL and its increased debt levels. Further, the lenders of JISL have also signed an Inter-Creditor agreement which is indicative of ongoing stress in the company.

***Increase in debt levels from FY18 to FY19***

The total outstanding consolidated debt of the company (excluding LC acceptances) has increased significantly from Rs. 4468.15 crore as on March 31, 2018 to Rs. 5246.96 crore as on March 31, 2019. The debt was also much higher than what had been envisaged. The increase in debt was majorly on account of increase in the working capital borrowings. The company also plans to deleverage its balance sheet at consolidated level in the next 1.5-2 years by monetizing some of its assets. Deleveraging of the consolidated balance sheet will be crucial from the credit perspective. Company's ability to generate sufficient cashflows is also critical towards its ability to honour its debt repayments timely.

***Dependence on the seasonal agriculture sector and government policies***

The company's performance is dependent on the seasonality in agriculture sector. The manufacturing of agro-processed products varies over the course of each year, reflecting seasonal changes in the availability of raw materials. MIS and agro-processing are subject to risks associated with the vagaries of nature, seasonality and government policies, leading to high working capital financing requirements during seasons. However, the Government of India's programme focused on increasing irrigation, and farmers' income and production are expected to boost demand for pipes and fittings.

***Susceptibility of profitability to volatility in raw material prices and risk related to foreign exchange fluctuations***

The company is exposed to fluctuations in prices of polymers, resins, fruits and vegetables products which are used by it as raw materials. These products are commodities whose prices are determined by the supply and demand in the Indian and international markets for those products and by the price of petroleum. The company's operations involve foreign exchange transactions including import, export as well as financing and investment transactions and are exposed to foreign exchange risk arising from foreign currency transactions. The net exposure to foreign currency risk is hedged partially using derivatives and partially against exports.

**Key Rating Strengths*****Experienced promoters***

JISL, founded by Late Mr. Bhavarlal Jain, is the pioneer of micro irrigation in India. Currently, Late Mr. Bhavarlal Jain's sons Mr. Ashok Jain (Chairman), Mr. Anil Jain (Managing Director), Mr. Ajit Jain (Joint Managing Director) and Mr. Atul Jain (Joint Managing Director) are managing overall operations of the group and are assisted by professionals, agricultural scientists, engineers and technicians managing various business segments.

***Well-diversified product portfolio***

On a consolidated basis, the products and services offered by the company can be divided into four major segments, viz., the Hi-tech Agri Input Products (which includes revenues from MIS, solar agri pump, integrated irrigation projects and tissue culture plants), the plastic division (PVC piping products, PE piping products, piping projects and plastic sheets), the agro processing division (fruits, onion products and bio-gas) and others (solar thermal products, solar photovoltaic grid and bio-gas products). Diversified portfolio mitigates any product concentration risk.

**Liquidity**

Liquidity position is stretched with full utilization of working capital limits along with some instances of overdrawals in the recent months. The tight liquidity position has arisen as a result of elongated collection period in the MIS segment.

**Analytical approach:** Consolidated

CARE has analyzed JISL's credit profile by considering the consolidated financial statements of the company owing to financial and operational linkages between the parent and subsidiaries. The details of the subsidiaries, associate and joint venture which have been consolidated as on March 31, 2018 are given in **Annexure 3**.

**Applicable Criteria**

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

[CARE's methodology for manufacturing companies](#)

[Financial ratios – Non-Financial Sector](#)

### About the Company

Established in the year 1986, JISL operates in diverse segments of the agri-business and also offers products in renewable energy segment. The micro-irrigation systems (MIS) (drip and sprinkler) is the flagship product of the company wherein JISL offers end-to-end water solution projects. The company also manufactures polyethylene (PE) pipes, polyvinyl chloride (PVC) pipes and plastic sheets. Other business segment of the company includes, agro-processing (dehydrated onions & vegetables, processed fruits, mango pulp and Bio Gas), tissue culture and solar systems (solar water heating systems, solar panels and solar water pumps).

The company (including subsidiaries) has 33 manufacturing bases with 11 manufacturing facilities and 5 demo and research development farms in India and 17 plants located across four continents.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)	FY19#
Total operating income	6791.81	8014.07	8848.33
PBILDT	970.77	1057.72	1197.01
PAT	176.24	221.29	254.22
Overall gearing (times)	1.09	1.17	1.31*
Interest coverage (times)	2.11	2.21	2.33

A: Audited

#as per exchange disclosure of the company

\*without LC acceptance

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating History for last three years:** Please refer Annexure-2

#### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	July 2022	752.20	CARE B+; Stable
Non-fund-based - ST-BG/LC	-	-	-	2100.00	CARE A4
Fund-based - LT-Cash Credit	-	-	-	1650.00	CARE B+; Stable
Fund-based - LT-Term Loan	-	-	July 2022	31.00	CARE B+; Stable
Fund-based - ST-Term loan	-	-	-	120.00	CARE A4

#### Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Commercial Paper	ST	-	-	-	-	-	1)Withdrawn (19-Apr-16)
2.	Fund-based - LT-Term Loan	LT	752.20	CARE B+; Stable	1)CARE BB; Stable (12-Jun-19) 2)CARE BBB+; Stable (05-Apr-19)	1)CARE A-; Stable (28-Sep-18) 2)CARE A-; Stable (05-Apr-18)	1)CARE A-; Stable (16-Jun-17)	1)CARE BBB+; Stable (17-Feb-17) 2)CARE BBB- (19-Apr-16)

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3.	Non-fund-based - ST-BG/LC	ST	2100.00	CARE A4	1)CARE A4 (12-Jun-19) 2)CARE A3+ (05-Apr-19)	1)CARE A2 (28-Sep-18) 2)CARE A2 (05-Apr-18)	1)CARE A2 (16-Jun-17)	1)CARE A3+ (17-Feb-17) 2)CARE A3 (19-Apr-16)
4.	Fund-based - LT-Cash Credit	LT	1650.00	CARE B+; Stable	1)CARE BB; Stable (12-Jun-19) 2)CARE BBB+; Stable (05-Apr-19)	1)CARE A-; Stable (28-Sep-18) 2)CARE A-; Stable (05-Apr-18)	1)CARE A-; Stable (16-Jun-17)	1)CARE BBB+; Stable (17-Feb-17) 2)CARE BBB- (19-Apr-16)
5.	Fund-based - LT-Term Loan	LT	31.00	CARE B+; Stable	1)CARE BB; Stable (12-Jun-19) 2)CARE BBB+; Stable (05-Apr-19)	1)CARE A-; Stable (28-Sep-18) 2)CARE A-; Stable (05-Apr-18)	1)CARE A-; Stable (16-Jun-17)	1)CARE BBB+; Stable (17-Feb-17) 2)CARE BBB- (19-Apr-16)
6.	Fund-based - ST-Term loan	ST	120.00	CARE A4	1)CARE A4 (12-Jun-19) 2)CARE A3+ (05-Apr-19)	-	-	-

**Annexure -3: Details of the subsidiaries, associates and joint venture which have been consolidated:**

Group entities	Country of Incorporation	% ownership of JISL as on March 31, 2018
<b>Subsidiaries</b>		
JISL Overseas Limited	Mauritius	100%
Jain International Trading B.V.	Netherlands	100%
Jain Overseas B.V	Netherlands	100%
Jain (Israel) B.V	Netherlands	100%
JISL Global SA	Switzerland	100%
JISL System SA	Switzerland	100%
Jain America Foods Inc	USA	100%
Jain America Holdings Inc.	USA	100%
Jain (Europe) Ltd.	UK	100%
Jain Irrigation Holding Corp., (Consolidated)	USA	100%
Jain Irrigation Inc., (Consolidated)	USA	100%
Cascade Specialities Inc.	USA	100%
Naandan Jain Irrigation Ltd, Israel	Israel	100%
The Machines Yvonand S.A.	Switzerland	100%
Jain International Foods Ltd.	UK	100%
Sleaford Quality Foods Ltd.	UK	100%
Jain Mena DMCC	Dubai	100%
Jain Distribution holdings Inc. (Consolidated)	USA	100%
Jain Farm Fresh Holdings SPRL,(Consolidated)	Belgium	100%
ProTool AG	Switzerland	75%

Group entities	Country of Incorporation	% ownership of JISL as on March 31, 2018
Ex-Cel Plastics Ltd	Ireland	100%
Gavish Control Systems Ltd	Israel	51%
Excel Plastics Piping Systems SAS	France	100%
Driptech India Pvt. Ltd.	India	75%
Jain Farm Fresh Foods Ltd. (JFFFL)	India	89%
Jain Processed Foods Trading & Investments Private Ltd	India	100%
<b>Joint Venture</b>		
Dansystems S.A	Chile	50%
<b>Associate</b>		
Sustainable Agro-Commercial Finance Ltd	India	49%

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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## About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

### Disclaimer

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