Jain Irrigation Systems Ltd.
Small Ideas. Big Revolutions.

JISL/SEC/2016/12/B-2/B-6 05th December, 2016

To,
Bombay Stock Exchange Ltd.,
Corporate Relationship Department,
1st Floor, New Trading Wing, Rotunda
Building, P. J. Tower, Dalal Street,
Mumbai - 400 001.
Fax No.022– 22723121/22722037(Day)
022-22721072 (Night)
Email: corp.relations@bseindia.com

To,
National Stock Exchange of India Ltd.,
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (East),
Mumbai - 400 051.
Fax No. : 022-26598237/38
Email : cc@nse.co.in

Ref: Code No. 500219 (BSE) & JISLJALEQS (NSE) for Ordinary Equity shares
Code No. 570004 (BSE) & JISLDVREQS (NSE) for DVR Equity Shares

Sub: Upgradation of ratings to "IND BBB" Positive Outlook.

Dear Sir/Madam,

Pursuant to Schedule III, Part A, clause 3, read with Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 please find attached herewith report of India Ratings & Research, a Fitch Group Company, with respect to revision of Credit Ratings of the Company to "IND BBB" from "IND BBB-" with a Positive Outlook.

Please take the same on record and acknowledge.

Thanking you,
Yours faithfully,
For Jain Irrigation Systems Limited,

A. V. Ghodgaonkar,
Company Secretary

Live & Let Live
Lord Mahaveer

India Ratings
& Research
A Fitch Group Company

India Ratings Upgrades Jain Irrigation Systems to 'IND BBB'; Outlook Positive

29
NOV 2016

By Janhavi Prabhu

India Ratings and Research (Ind-Ra) has upgraded Jain Irrigation Systems Limited's (JISL) Long-Term Issuer Rating to 'IND BBB' from 'IND BBB-'. The Outlook is Positive. A full list of rating actions is at the end of this commentary.

KEY RATING DRIVERS

Liquidity Aided by Fund Infusion: The upgrade reflects the improvement in JISL's liquidity due to a fund infusion of INR8,046m in FY16. Part of these proceed have helped the company in replacing its high-cost debt with low-cost debt. In FY16, JISL's promoters infused equity of INR1,128m and raised INR2,896m by issuing compulsorily convertible debentures (CCDs) to Mandala Capital. These CCDs carry a coupon of 5% and would be converted into equity after 18 months from the date of issuance. JISL also raised equity of INR2,413.2m in FY16 by selling 11.19% of its stake in its food subsidiary Jain Farm Fresh Foods Ltd to Mandala Capital and raised INR1,608.8m by issuing CCDs carrying coupon of 1%. These will be converted into equity after five years from the issuance date. Of the INR8,046m proceeds raised on a consolidated level, INR6,000m has been used towards debt repayment and the balance would be used towards meeting working capital needs. Post the fund infusion in March 2016, the company's average fund-based utilisation levels moderated to 85% for the seven months ended October 2016 from the almost full utilisation for the 12 months ended January 2016.

Likely Improvement in Credit Metrics over FY17 and Beyond: The Positive Outlook reflects Ind-Ra's expectation of a substantial improvement in JISL's credit metrics supported by healthy cash accruals and deleveraging. For FY16, JISL's adjusted net leverage (adjusted net debt/EBITDA) improved to 5.09x in FY16 (FY15: 5.2x) and its interest coverage (EBITDA/interest) increased to 1.7x (1.66x). Cash accruals will improve, supported by a higher EBIDTA from both the micro-irrigation systems (MIS) business and the food business. This coupled with the company's focus on reducing gross receivables especially in the MIS business is likely to aid cash generation. JISL's initiatives include focus on project-driven sales, cash-based sales, a higher exposure to states having efficient subsidy disbursal mechanisms and furthering sales through its non-banking financial arm Sustainable Agro-commercial Finance Ltd. JISL also plans to arrange vendor financing limits for its key dealers which will aid in reducing receivables and working capital borrowings over the medium term.

Revenue Growth Visibility: The ratings reflect the management's expectation of revenue growth in the range of 10%-11% over FY16-FY19. Particularly in the MIS and piping segments, the growth would be driven by favourable monsoons in key states, increased central government's focus through increasing subsidy allocation for MIS 2x in FY17 to INR23.4bn and a strong order book in project division. The government of India's programmes focussed on increasing irrigation, and farmers' income and production are likely to boost demand for pipes and fittings. The management expects its food processing business to grow, backed by strong growth in existing products, new product additions and an increase in its presence nationally especially in the retail segment. JISL's expects to report its EBITDA margins in the 13%-14% range over FY17-FY19. In FY16, JISL posted muted top line growth of 2.2%

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yoy to INR62.9bn due to the underperformance of the MIS segment amid drought conditions, while EBITDA margins remained stable at 12.9% (FY15: 12.7%).

Strong and Diversified Business Profile: JISL has a dominant position in MIS and well-diversified product portfolio. For FY16, MIS, piping product, food products and others accounted for 45%, 22%, 24% and 9%, respectively, of the consolidated revenue. The company has strong relationships with farmers, a wide distribution network and profitable overseas operations.

Refinancing Risk: The agency believes that the company could face refinancing risk as the free cash flows over FY17-FY19 may fall short of the scheduled repayments of INR15.5bn which includes FCCB of INR 3.3bn.

Working Capital Intensity: The company has a long net cash conversion cycle (FY16: 205 days; FY15: 188 days) especially on account of high receivables days in the MIS segment. In FY16, JISL's standalone gross receivable days in the MIS segment were 219 (FY15: 188). The company continues to focus on reducing the working capital cycle, particularly in the MIS segment.

RATING SENSITIVITIES

Positive: Adjusted net leverage falling below 3.5x and sustaining at that level and/or an improvement in working capital cycle resulting in improved liquidity could lead to a positive rating action.

Negative: Adjusted net leverage sustaining above 3.5x could result in outlook being revised back to stable.

COMPANY PROFILE

JISL is one of India's leading agri-business companies, operating in diverse segments of the agribusiness value chain. It also has presence in MIS, PVC pipes, PE pipes, PVC sheets, dehydrated onions and fruit processing segments, tissue culture plants and solar water heaters and solar water pumps.

For 1HFY17, consolidated revenue grew at a low rate of 6.3% yoy to INR31.8bn, driven by the underperformance in the MIS segment (2.8% yoy) due to lower water tables in the early part of the year and a drop in project revenue. EBITDA margins expanded 100bp yoy to 12.9% in 1HFY17. Interest coverage improved to 1.8x in 1HFY17 (1HFY16: 1.5x) amid debt repayments, interest cost benefits and EBIDTA improvements.

JISL's ratings are as follows:

- Long-Term Issuer Rating: upgraded to 'IND BBB'; Outlook Positive from 'IND BBB-'; Outlook Stable
- INR3.46bn term loans (reduced from INR4.08bn): upgraded to 'IND BBB'; Outlook Positive from 'IND BBB-'
- Proposed INR1.5bn term loan (reduced from INR3bn)*: upgraded to 'Provisional IND BBB'/Positive from 'Provisional IND BBB-'
- INR15.5bn fund-based limits (reduced from INR16bn)[a]: upgraded to 'IND BBB'; Outlook Positive from 'IND BBB-' and to 'IND A3+' from IND A3
- Proposed INR1bn fund-based limits#: 'Provisional IND BBB-' and 'Provisional IND A3'; rating withdrawn as the issuer did not proceed with the instrument as envisaged
- INR17.35bn non-fund-based limits (increased from INR12.9bn): upgraded to 'IND BBB'; Outlook Positive from 'IND BBB-' and to 'IND A3+' from IND A3
- Proposed INR3.4bn non-fund based limits#: 'Provisional 'IND BBB-' and 'Provisional IND A3'; rating withdrawn as the issuer did not proceed with the instrument as envisaged
- INR7.75bn (enhanced from INR3bn) commercial paper programme (carved out of the fund-based limits): upgraded

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to 'IND A3+' from 'IND A3'

*The rating is provisional in nature and shall be confirmed upon the sanction and execution of loan documents for the above facilities by JISL to the satisfaction of Ind-Ra.
@the fund-based limits are fully interchangeable with the non-fund-based limits
#Part of the non-fund based limits is interchangeable with the fund-based limits

SOLICITATION DISCLOSURES

Additional information is available on www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

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Rating Outstanding

(As on 01/Dec/2016)

Long Term Issuer Rating	IND BBB / Positive	
Commercial Paper	IND A3+	INR 7750 m
Fund Based Working Capital Limit	IND BBB / Positive	INR 15500 m
Fund Based Working Capital Limit	IND A3+	INR 15500 m
Fund Based Working Capital Limit	WD	INR 1000 m
Fund Based Working Capital Limit	WD	INR 1000 m
Non-Fund Based Working Capital Limit	IND BBB / Positive	INR 17350 m
Non-Fund Based Working Capital Limit	IND A3+	INR 17350 m
Non-Fund Based Working Capital Limit	WD	INR 3400 m
Non-Fund Based Working Capital Limit	WD	INR 3400 m
Term loan	IND BBB / Positive	INR 3460 m
Term loan	Provisional IND BBB / Positive	INR 1500 m

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Applicable Criteria

Corporate Rating Methodology

Analyst Names

Primary Analyst

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