

JISL/SEC/2018/06/B-2/B-6

01<sup>st</sup> June, 2018

To,  
Bombay Stock Exchange Ltd.,  
Corporate Relationship Department,  
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To,  
National Stock Exchange of India Ltd.,  
Exchange Plaza, C-1, Block G,  
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**Ref: Code No. 500219 (BSE) & JISLJALEQS (NSE) for Ordinary Equity shares**  
**Code No. 570004 (BSE) & JISLDVREQS (NSE) for DVR Equity Shares**

**Sub: Disclosure about revision of Rating(s) under Schedule III, Part A, Clause A,  
Sub-Clause 3 of SEBI (LODR), Regulations, 2015.**

Dear Sir/Madam,

In terms of requirements of Schedule III, Part A, Clause A, Sub-Clause 3 of SEBI (LODR), Regulations, 2015 read with Regulation 30 of the SEBI (LODR), Regulations, 2015, we wish to inform you that India Ratings and Research (Ind-Ra) has upgraded Jain Irrigation Systems Limited's (JISL) Long-Term Issuer Rating to 'IND A-' from 'IND BBB'. The Outlook is Stable. Please find attached herewith copy of reports of the Rating Agency for your records and reference.

Please take the same on record and acknowledge.

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



**A. V. Ghodgaonkar,**  
**Company Secretary**

## India Ratings Upgrades Jain Irrigation Systems to 'IND A-/Stable

# 31

By [Niraj Rathi](#)

MAY 2018

India Ratings and Research (Ind-Ra) has upgraded Jain Irrigation Systems Limited's (JISL) Long-Term Issuer Rating to 'IND A-' from 'IND BBB'. The Outlook is Stable. The instrument-wise rating actions are as follows:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (billion)	Rating/Outlook	Rating Action
Fund-based working capital limits	-	-	-	INR15.5	IND A-/Stable/IND A1	Upgraded
Non-fund-based limits	-	-	-	INR17.35	IND A-/Stable/IND A1	Upgraded
Term loan#	-	-	-	INR3.46	IND A-/Stable	Upgraded
Proposed term loan^	-	-	-	INR1.5	Provisional IND A-/Stable	Upgraded
Commercial paper (CP)*	-	-	-	INR7.75	IND A1	Upgraded

^The rating is provisional and shall be confirmed upon the sanction and execution of loan/transaction documents for the above instrument to the satisfaction of Ind-Ra.

\*CP is carved out of the fund-based limits

#Details in annexure

### KEY RATING DRIVERS

**Strong, Improving Credit Profile:** The upgrade reflects the continued improvement in JISL's credit metrics during FY15-FY18, because of increasing scale of operations and resultant EBITDA while debt levels remained at similar levels. This was driven by focused working capital management. The company while repaying the term debt during this period borrowed further debt to fund acquisitions. The net adjusted leverage and interest cover improved to 3.8x for FY18 (FY17: 3.9x; FY16: 4.7x; FY15: 5.1x) and 2.2x (2.1x; 1.7x; 1.7x), respectively. Ind-Ra expects the net adjusted leverage to range between 3.0x-3.3x by end-FY19, driven by the continuation of the factors mentioned above.

In FY18, JISL acquired three overseas businesses, two in the US and one in Belgium, to increase its geographical reach in the MIS and processed food business, respectively. These acquisitions were funded through a debt of around INR4 billion. Any such incremental debt-funded acquisitions, leading to an increase in debt levels, may derail the improving trajectory of its credit metrics and may have a bearing on the ratings.

**Prudent Working Capital Management and Easing Liquidity:** The upgrade also reflects JISL's prudent working capital management, specifically in the MIS division which constitutes about 50% of the consolidated revenue and 60% of its outstanding debtors. JISL's cash flow from operations improved to INR8.4 billion in FY18 (FY17: INR2.3 billion; FY16: negative INR161 million) and its free cash flows also turned positive to INR2.5 billion in FY18. JISL's cash and cash equivalent at end-FY18 was INR3.9 billion (FY17: INR2.4 billion; FY16: INR3.8 billion) and its average maximum utilisation of the fund-based facilities was around 78% over the 12 months ended April 2018 (previously above 90%). The company also has 20% interchangeability of its non-fund-based facility (around INR3.1 billion) to meet its peak season requirements. JISL has also tied up additional working capital limits of about INR1.2 billion outside the consortium to meet any incremental short term working capital requirement.

**Robust Business Model; Financial Performance; Revenue Visibility:** JISL has maintained its dominant position in MIS business (50% of revenue) globally. It is also a sizeable player in the plastics business (PVC and PE pipes and sheets) and the food processing business, which constitute 25% and 20% of its revenue, respectively. The MIS business yields margins of around 20%, and the other businesses yield margins of 9%-10%, resulting in a blended margin of 12%-15%. JISL's global presence also enables geographic diversification as around 47% of its revenue comes from overseas (split into US and European regions).

**Strong Financial Performance:** JISL's revenue and EBITDA increased at a CAGR of 8% over FY14-FY18. Revenue for FY18 is INR79.5 billion (FY17: INR68 billion; FY16: INR63.2 billion) and EBITDA was INR10.7 billion (INR9.7 billion; INR8.2 billion). JISL's order book of INR40.9 billion at end-FY18 (FY17: INR17.9 billion) provides improved visibility. The order book has to be executed within 12-18 months. However, the business remains working capital intensive, due to its long net working capital cycle underpinned by high receivable and inventory days.

**No Near-term Refinancing Risk:** JISL does not have any near-term refinancing requirements, as it has refinanced its debt maturities with long tenor debts. JISL raised INR12.5 billion in March 2017 which it was used to retire high-cost debt and shore up working capital. The new debt has a bullet payment in FY22 and debt maturities in FY19-FY20 amount to around INR3.0 billion each year, which can be paid through internal accruals, leading to a further reduction in debt levels.

**Raw Material Price Risk:** JISL is exposed to raw material price volatility (polymer linked to crude). However, the increase in polymer prices is not linear to that of crude oil prices due to its own demand-supply dynamics. Further, the company has the ability to pass on the price risk to its end-customers due to its strong market position.

**Forex Risk:** About 75% of JISL's consolidated debt is in foreign currency and less than 5% of its foreign currency debt exposure is hedged. This exposes the company to mark-to-market risk with cash flow impact during redemption. This is contained partially as JISL earns 35%-40% of EBITDA in foreign currency which acts as a natural hedge.



## RATING SENSITIVITIES

**Positive:** An improvement in the working capital cycle leading to an improvement in net adjusted leverage to below 2.5x on a sustained basis could result in a positive rating action.

**Negative:** A significant drop in the margins or elongation of working capital cycle or additional debt-led acquisition leading to net adjusted leverage exceeding 4.0x on a sustained basis could result in a negative rating action.

## 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.

## FINANCIAL SUMMARY

Particulars	FY18	FY17
Revenue (INR billion)	79.5	67.7
EBITDA margins (%)	13.5	14.3
Profit after tax margins (%)	2.7	2.6
Interest coverage (x)	2.2	2.1
Net leverage (x)	3.8	3.9
Source: Company financials, Ind-Ra		

## RATING HISTORY

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook		
	Rating Type	Rated Limits (billions)	Rating	29 November 2016	13 January 2015	11 November 2013
Issuer rating	Long-term	-	IND A-/Stable	IND BBB/Positive	IND BBB-/Stable	IND BBB-/Stable
Fund-based working capital limits	Long-term	INR15.5	IND A-/Stable/IND A1	IND BBB/Positive/IND A3+	IND BBB-/IND A3	IND BBB-/IND A3
Non-fund-based facilities	Long-term/Short-term	INR17.35	IND A-/Stable/IND A1	IND BBB/Positive/IND A3+	IND BBB-/IND A3	IND BBB-/IND A3
Term loan	Long-term	INR4.96	IND A-/Stable	IND BBB/Positive	IND BBB-	IND BBB-
CP	Short-term	INR 7.75	IND A1	IND A3+	IND A3	IND A3

## ANNEXURE

Instrument Type	Coupon Rate	Maturity Date	Size of Issue (billion)	Rating/Outlook	Rating Action
Term loan 1	-	31 March 2023	INR0.76*	IND A-/Stable	Upgraded
Term loan 2	-	1 July 2022	INR0.7	IND A-/Stable	Upgraded
Term loan 3	-	1 November 2024	INR2.0	IND A-/Stable	Upgraded

\*Drawdown from INR1.5 billion sanctioned limit

## COMPLEXITY LEVEL OF INSTRUMENTS

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

## SOLICITATION DISCLOSURES

Additional information is available at [www.indiaratings.co.in](http://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.

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Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies, structured finance and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

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## Applicable Criteria

[Corporate Rating Methodology](#)

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