Jain Irrigation Systems Ltd — 29 May 2025 Credit Rating Summary

This summary is based on the CRISIL Credit Bulletin dated May 29, 2025, and the associated Rating Rationale.

Section	Details
Agency	CRISIL Ratings
Rating Change	**Maintained at BBB- / A3** (Stabilizing at Investment Grade floor)
Outlook	**Stable** (Current) vs **Stable** (Previous)
Key Drivers of Change	1. **Debt Resolution Completion:** Successful transition from stressed status to regular servicing via ARCs (J.C. Flowers/ARCIL). 2. **Deleveraging via Merger:** Previous merger of International Irrigation Biz with Rivulis significantly reduced consolidated debt. 3. **Working Capital Focus:** Shift toward non-fund based limits (₹230.27 Cr proposed) to manage inventory/receivables. 4. **Revenue Stability:** Recovery in domestic micro-irrigation and plastic piping segments.
Rated Instruments (Top Facilities)	• **Fund Based (SBI):** ₹501.53 Cr (BBB-/Stable) • **Fund Based (Union Bank):** ₹218.96 Cr (BBB-/Stable) • **Fund Based (IDBI):** ₹208.07 Cr (BBB-/Stable) • **Bank Guarantee (SBI):** ₹266.00 Cr (A3) • **Proposed Non-Fund Limits:** ₹230.27 Cr (A3)
Key Observations	• **(+) Market Leadership:** Dominant position in Indian micro-irrigation (MIS) and piping sectors. • **(+) Improved Solvency:** Exit from SDR/restructuring has restored access to formal banking channels (e.g., SBI, Canara, PNB). • **(-) Working Capital Intensity:** High dependence on government subsidies leads to stretched receivable cycles. • **(-) Legacy Debt Burden:** Presence of **Funded Interest Term Loans (FITL)** across 10+ banks indicates lingering effects of past distress. • **(-) High Finance Costs:** Multiple ECB and Rupee Term Loans from IFC/Exim Bank keep interest coverage under pressure.
Investor Impact	• **Margins:** Likely to remain suppressed due to high interest on FITL and volatile raw material costs (PVC/Resin). • **Growth:** Restricted by working capital constraints; company is prioritizing debt servicing over aggressive CapEx. • **Leverage:** Debt-to-Equity is improving but remains high; "BBB-" rating limits ability to raise low-cost capital. • **Dilution Risk:** Minimal in the immediate term, but lenders (ARCs) hold significant influence over cash flows.
Agency / Cross Analysis	**Same Agency:** No change in rating vs April 2025 review. The May update is a technical alignment to reflect specific bank-wise facility splits as per RBI norms. **Conclusion: Improvement.** The rating reflects a successful post-default turnaround, though the company remains at the "Investment Grade" floor.
Final Inference	**Real Improvement but High Vigilance Required.** The shift from "Default" to "BBB-" is a significant win for equity holders, but the heavy reliance on ARCs and FITL indicates the company is still "walking wounded." Equity upside is capped until working capital cycles shorten.