

Jain Irrigation Systems Ltd — 27 Mar 2025 Credit Rating Summary

Section	Details
Agency	CRISIL Ratings
Rating Change	Reaffirmed at BBB- / A3 (0 notches moved)
Outlook (Current vs Prev)	Stable vs Stable
Key Drivers of Change	<ul style="list-style-type: none"> • Revenue Contraction: 19% YoY de-growth in 9MFY25 (₹2,232 Cr) due to lower infra spending under Jal Jeevan Mission. • Debt Overhang: Total debt at ₹2,763 Cr; includes ₹855 Cr "unsustainable debt" requiring specific repayment tracking. • Model Shift: Transition from EPC projects (high risk) to Dealer-based sales (4,000+ dealers) to improve cash flow predictability. • Margin Volatility: EBITDA margin dipped to 11.2% (9MFY25) from 13.1% (FY24) due to segment mix; recovery to 13-14% projected.
Rated Instruments	<ul style="list-style-type: none"> • Fund Based Facilities: ₹1,504.94 Cr
Key Observations	<p>Strengths:</p> <ul style="list-style-type: none"> • Pioneer/Leader in Micro Irrigation Systems (MIS) with extensive R&D and 4,000+ dealers. • Diversified revenue: MIS (Hi-tech agri), Plastic pipes, and Agro-processing (JFFFL). • Management experience: Deep-rooted promoter expertise in the agri-value chain. <p>Weaknesses/Risks:</p> <ul style="list-style-type: none"> • Sticky Receivables: ₹874 Cr stuck in old EPC projects; recovery is slower than anticipated. • Working Capital: High utilization of bank limits (~97%) keeps liquidity "tight." • Raw Material Risk: Vulnerable to Polyethylene/PVC price volatility and forex fluctuations.
Investor Impact	<ul style="list-style-type: none"> • Growth: Stagnant in FY25; double-digit recovery expected in FY26 driven by water availability and govt. orders. • Dilution Risk: Infusion of ~₹200 Cr via warrant conversion (Nov 2023 issue) is pending; will improve solvency but dilute equity. • Leverage: Sustainable Debt/OPBITDA expected to improve from 3.5x (FY25E) to 2.4x (FY26E). • Risk: Any large provisioning or write-off of identified overdue receivables (₹457 Cr) could wipe out earnings.
Agency / Cross Analysis	<p>Same Agency (CRISIL): Ratings held steady despite a 19% revenue drop and 28% crash in the piping segment. The agency is placing heavy reliance on the "Stable" outlook of the international plastics business and the structural pivot away from EPC projects. This suggests a "credit floor" has been established post-2022 restructuring, provided liquidity enhancements (warrants + new bank limits) materialize.</p>
Final Inference	<p>Real improvement is lagging the narrative. While the business model is "de-risking" by exiting EPC, the high debt (₹2,763 Cr) and slow recovery of old dues (₹874 Cr) remain significant equity overhangs. The "Stable" rating is a vote of confidence in survival, not necessarily a signal of immediate growth.</p>