Jain Irrigation Systems Ltd — Aug 2022 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline **One-line:** This is a "stabilization quarter" post-debt resolution; while the bottom line remains marginally negative, the significant reduction in the working capital cycle and the progression of the Rivulis merger confirm the deleveraging thesis is on track.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Inline	Revenue growth of 14.9% YoY; EBITDA margins maintained at 13.2% despite RM headwinds.	□
Earnings Quality	Moderate	Operating EBITDA is stable, but PAT remains negative (-□5.8 Cr) due to high interest costs and FX depreciation.	□
Guidance Confidence	Neutral	Management points to strong order books and JJM (Jal Jeevan Mission) opportunities for H2.	□
Management Credibility	Improving	First quarter post-debt resolution; delivering on promised working capital reduction.	□
Business Quality Signal	Improving	Massive improvement in Net Working Capital days (Consolidated: 232 to 183 days YoY).	□
Key Q&A Exchange	N/A	PPT_ONLY: Not applicable.	□
The Street's Primary Anxiety	Debt & Liquidity	Management is addressing this via the International Irrigation Business merger with Rivulis.	□
Capital Cycle Stage	Consolidation	Focused on debt reduction and value monetization of overseas assets.	□
Margin Trajectory	Stable	13.2% EBITDA margin vs 14.8% YoY; slight compression due to RM inflation but resilient.	□
Pricing Power	Stable	Revenue growth outpaced volume growth (implied), suggesting some pass-through of RM costs.	□
FCF Conversion & Quality	Improving	Strong signal from 49-day reduction in consolidated Net Working Capital.	□
Competitive Moat Signals	Stable	Maintaining leadership in Micro-irrigation; bagging 13 PLEXCONCIL export awards.	□
Balance Sheet Strength	Stressed	Gross Debt at □6,492 Cr; remains high until Rivulis transaction closes.	□
Working Capital Efficiency	Improving	Net WC days down to 183 (Consolidated); Standalone down to 294 from 411 YoY.	□
Mgmt Guidance Track	Mixed	Historical stress creates a high bar, but current execution on resolution plan is consistent.	□
Key Vulnerability	FX Risk	51% of consolidated gross debt is in foreign currency, leading to mark-to-market hits on Rupee depreciation.	□
Management Tone	Optimistic	Focused on "sustainable demand" and "margin maintenance."	□

Key Takeaways: Positives: * **Deleveraging Catalyst:** The merger of the International Irrigation Business with Rivulis is a transformative event. Retaining a 22% stake while using cash proceeds to pay down JITBV debt is the primary value unlock. * **Working Capital Correction:** A reduction of nearly 50 days in the consolidated working capital cycle is a material improvement in cash flow quality, historically a major pain point for JISL. *

Segment Resiliency: The Agro/Food division saw a 50 bps EBITDA margin expansion to 14.7% despite high inflation.

Negatives: * **Residual Debt Burden:** Gross debt actually increased slightly by □87 Cr (from March 2022) to □6,492 Cr, primarily due to USD/INR depreciation, highlighting the balance sheet's vulnerability to FX volatility. * **Interest Overhang:** Despite operating profits, the company is still struggling to flip to a positive PAT (-□5.8 Cr), indicating that the debt resolution must be followed by immediate repayment to stop interest leakage.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — commentary absent.

Metric	Current Qtr (1QFY23)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Consolidated)	□2,042.8 Cr	↑ 14.9%	Not in doc	↑	Growth driven by domestic retail demand and Agro/Food segment.
Revenue (Standalone)	□861.7 Cr	↑ 23.7%	Not in doc	↑	Strong growth in Hi-tech Agri (+22.9%) and Plastics (+23.3%).
EBITDA (Consolidated)	□269.3 Cr	↑ 2.1%	Not in doc	→	Maintained despite RM inflation and supply chain disruptions.
EBITDA Margin %	13.2%	↓ 160 bps	Not in doc	↓	Margin compression vs 14.8% YoY due to inflationary environment.
PAT (Consolidated)	(□5.8 Cr)	↑ 64.6%	Not in doc	↑	Net loss narrowed from (□16.4 Cr) in 1QFY22.
Net Debt (Consolidated)	□6,218.0 Cr	↓ 1.9%	↑ 3.4%	↓	YoY reduction vs June 21 (□6,339 Cr) but up vs Mar 22 (□6,014 Cr).
Net WC Days (Cons)	183 Days	↓ 21.1%	Not in doc	↑	Significant efficiency gain from 232 days in 1QFY22.
Order Book (Cons)	□3,418.8 Cr	Not in doc	Not in doc	First entry	Strong pipeline; Hi-tech Agri contributes □2,025.5 Cr.
Export Revenue (India)	□171.1 Cr	↓ 6.0%	Not in doc	↓	De-growth in Agri (-14.8%) and Food (-8.4%) exports from India.

2B. SEGMENT BREAKDOWN (Consolidated)

Segment	Revenue (□ Cr)	YoY Growth	Margin (%)	Trend	vs Co. Avg	Key Development
Hi-tech Agri	□1,180.0 Cr	9.3%	15.7%	→	Above	Core business; order book at □2,025.5 Cr.
Plastic	□417.7 Cr	21.4%	4.1%	↑	Below	High volume growth but margins remain thin.
Agro / Food	□432.5 Cr	24.2%	14.7%	↑	Above	Strongest growth; margins expanded 50 bps YoY.

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate	Historical Delivery	Risk Flag
Guidance	Revenue	"Strong growth in balance part of year."	Needs sustained 15% + growth to maintain momentum.	First entry	Medium - Dependent on JJM orders.
Guidance	Deleveraging	Merger with Rivulis to create global leader and reduce debt.	Transaction closure is critical for ₹6,492 Cr debt pile.	First entry	High - Regulatory/ Antitrust approvals.
Strategy	WC Management	Continued focus on "working capital would continue to be of vital importance."	Must maintain Consolidated Net WC below 190 days.	Delivered - Days reduced YoY.	Low
Strategy	Domestic Market	Cater to "large order under JJM in piping business."	Requires successful bidding and execution in H2FY23.	First entry	Medium - Execution risk.
Macro	FX Risk	51% of Cons. debt is in Foreign Currency.	Needs INR stability or hedging to prevent MTM losses.	Missed - Debt rose QoQ on USD strength.	High

4. ANALYST Q&A

Section not applicable — investor presentation only. No concall conducted or available.

5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.

What Changed	Prior Quarter	This Quarter	Direction
Debt Resolution Status	Ongoing	Completed (First quarter post-resolution)	↑
Strategic Portfolio	100% International Ownership	Merger Agreement with Rivulis (~22% stake)	↑
Working Capital (Cons)	232 Days (YoY)	183 Days	↑
Order Book Disclosure	Not detailed	₹3,418.8 Cr (Consolidated)	↑
Financial Health	Higher Loss	Loss narrowed to ₹5.8 Cr	↑

STOP HERE.