Jain Irrigation Systems Ltd — May 2022 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Strong Beat (Operational & Financial Structural Change) **One-line:** The implementation of the Resolution Plan (effective March 25, 2022) marks the formal end of the company's survival crisis, shifting the thesis to a recovery play supported by a leaner balance sheet and massive working capital unlocking.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	Implementation of the Resolution Plan in Q4 as promised; Revenue growth of 16.2% YoY.	□
Earnings Quality	Low (Distorted)	PAT includes □589.4 Cr gain from debt restructuring and fair value adjustments; core operations masked.	□
Guidance Confidence	Neutral	Focus shifting to "Stabilization of operations" and "Completion of pending EPC projects."	□
Management Credibility	Improving	Delivered on the "Conditions Precedent" for the MRA; achieved massive DSO reduction.	□
Business Quality Signal	Improving	Pivot away from high-DSO EPC projects towards cash-and-carry retail sales is taking hold.	□
Key Q&A Exchange	N/A — PPT ONLY	Management highlights "Reduced immediate interest burden by ~40%."	□
The Street's Primary Anxiety	Execution Post-Restructuring	Can the company regain market share now that bank limits are restored?	□
Capital Cycle Stage	Consolidation / Early Recovery	Exiting distress; focusing on utilizing released NFB limits (□300 Cr) for growth.	□
Margin / Return Ratio Trajectory	Improving	Standalone Hi-tech margins up 930 bps YoY for FY22.	□
Pricing Power	Eroding	Plastics division continues to suffer from "unabated volatility" in raw material prices.	□
FCF Conversion & Quality	Very Strong	Implied by the massive 110-day reduction in Standalone DSO YoY.	□
Competitive Moat Signals	Stable	Retained a □3,593 Cr order book despite three years of financial distress.	□
Balance Sheet Strength	Adequate (Restructured)	Net Debt reduced; repayment tenure extended to FY28 with interest moratoriums.	□
Working Capital Efficiency	Improving	Standalone DSO fell from 306 (Mar-21) to 211 (Mar-22).	□
Mgmt Guidance Track Record	Improving	Met the Q4 deadline for debt resolution which was the critical "binary" event for the company.	□
Key Vulnerability / Red Flag	RM Volatility	Sensitivity of the Plastic and Agro segments to input costs and weather remains high.	□
Management Tone	Confident / Pivot-focused	Focus is now on "Business Development and Growth" rather than just restructuring.	□

Sentiment: Positive

Key Takeaways: * **Restructuring Milestone:** The "Effective Date" of March 25, 2022, is the single most important event in the last three years. The company successfully converted debt into long-term NCDs/ECBs, allotted 16% equity to lenders, and secured an interest moratorium until March 2021 (already passed) and longer repayment till FY28. * **Balance Sheet De-risking:** Consolidated Net Debt decreased from ₹6,107 Cr (Dec-21) to ₹6,014 Cr (Mar-22). More importantly, Standalone Gross Debt fell by ₹484 Cr YoY as legacy receivables were liquidated to pay down lenders. * **Working Capital Revolution:** Standalone DSO improved by 95 days YoY (306 to 211). This confirms the shift in business model from government-heavy EPC (long credit) to retail/dealer-based sales (short credit). * **The "Plastic" Drag:** While Hi-tech Agri (Micro-irrigation) is booming with 17.6% margins, the Plastic Division (Pipes/Sheets) is struggling with RM volatility, posting only 6.1% margins in Q4. * **Forward-looking Watchpoint:** The key catalyst is the "upgradability" of the account by March 2023. If JISL repays 10% of principal debt by March 25, 2023, the account moves out of the "restructured" category, significantly lowering the cost of future capital.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — commentary absent.

Metric	Current Qtr (4Q)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Consol)	₹2,083.6 Cr	↑ 16.2%	↑ 29.1%	↑	Driven by growth in Hi-tech Agri and Plastics.
Revenue (Standalone)	₹839.5 Cr	↑ 12.2%	↑ 30.3%	↑	Strong recovery in domestic Agri and Exports.
EBITDA (Consol)	₹264.0 Cr	↑ 12.7%	↑ 51.8%	↑	Growth despite RM volatility in Plastics.
EBITDA Margin %	12.7%	↓ 40 bps	↑ 190 bps	→	Margin pressure in Plastics offset by Hi-tech.
PAT (Consol)	₹343.5 Cr	↑ NM	↑ NM	↑	Distorted by ₹589.4 Cr restructuring gain.
Exports (from India)	₹217.3 Cr	↑ 75.0%	↑ 6.9%	↑	Massive growth in Agro/Food and Plastics.
Order Book (Total)	₹3,592.8 Cr	↓ 5.5%	↓ 5.5%	↓	Focus on execution of existing high-value orders.
Net Debt (Consol)	₹6,014.0 Cr	↓ 5.1%	↓ 1.5%	↑	Net debt reduced by ₹321 Cr YoY.
Interest Coverage (x)	1.81x	↑	↑	↑	Calculated on FY22 EBITDA vs Interest.
Standalone DSO	211 Days	↓ 95 Days	↓ 58 Days	↑	Significant structural improvement.
Consol. DSO	251 Days	↓ 55 Days	↓ 55 Days	↑	Improvement across global subsidiaries.

2B. SEGMENT BREAKDOWN (Consolidated - 4Q FY22)

Segment	Revenue (₹ Cr)	YoY Growth	Margin (%)	Trend	vs Co. Avg	Key Development
Hi-tech Agri	₹1,111.2	↑ 6.8%	17.6%	↑	Above Avg	Strongest margin profile; Order book ₹2,028.4 Cr.
Plastic	₹461.5	↑ 50.1%	6.1%	↓	Below Avg	High revenue growth but RM volatility hit margins.
Agro / Food	₹413.2	↑ 17.3%	8.8%	↑	Below Avg	Recovery in onion/fruit processing; Order book ₹936.2 Cr.
Others	₹97.7	↑ 26.7%	NM	→	NM	Smallest segment but showing growth.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Debt Resolution	10% of principal to be repaid by March 25, 2023.	Requires ~₹300 Cr+ of principal repayment in FY23.	Delivered MRA in Q4 as promised.	Medium
Guidance	Working Capital	Further improvement in working capital.	211 DSO is still high; target should be <150.	Delivered 95-day reduction in FY22.	Low
Guidance	Interest Cost	Reduce immediate interest burden by ~40%.	Feasible due to NCD/ECB coupon of 0.01% (restructured).	First entry	Low
Strategy	EPC Completion	Focus on completion of pending EPC projects.	Order book of ₹2,028 Cr (Hi-tech) needs faster execution.	Mixed	Medium
Strategy	Growth	Release of ₹300 Cr NFB limits to support business.	Critical for bidding for new Jal Jeevan Mission projects.	First entry	Medium
Macro	RM Prices	Manage volatility in raw material prices.	Unclear; Plastics margins remain at historical lows (5-6%).	Poor	High

4. ANALYST Q&A

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

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q3 FY22)	This Quarter (Q4 FY22)	Direction
Restructuring Status	Pending (100% ICA approval but not effective).	**Fully Implemented** (Effective Mar 25, 2022).	□
Balance Sheet	Distressed / "Going Concern" Qualification.	**Restored** / Qualification Withdrawn by Auditors.	□
Standalone DSO	269 Days	211 Days	□
Debt Composition	Legacy high-interest bank debt.	□1,032 Cr converted to 0.01% NCDs/ECBs.	□
Lender Equity	Lenders held no equity.	Lenders now own ~16% of the company.	□
P&L Impact	Operational losses/Interest drag.	One-time restructuring gain of □589.4 Cr (Consol).	□
Liquidity	Highly constrained.	Release of □300 Cr Non-Fund Based limits.	□
Plastic Segment	Margin recovery expected.	Margin pressure worsened (6.1% vs FY avg).	□

Investor Notes: * **The Thesis Pivot:** The "distress" phase is over. The "recovery" phase begins. The investment merit now rests on whether JISL can use its restored credit limits to recapture the micro-irrigation market share it lost to competitors like Netafim and Rivulis during its liquidity crisis. * **Accounting Noise:** Q4 PAT is not a reflection of core earnings. Stripping out the restructuring gains, the company is still in an early-stage operational turnaround. * **Working Capital Efficiency:** The reduction in DSO from 306 to 211 is a massive achievement. It suggests the company is no longer "buying" revenue by giving indefinite credit to government projects. * **Key Risk:** Raw material volatility in the Plastic division is a significant drag. While Hi-tech Agri is the crown jewel (17.4% FY22 margin), the Plastic division (5.8% FY22 margin) is barely covering its cost of capital.

STOP HERE.