

SUMMARY CAPITAL STRUCTURE (INRm) as of 31 March 2018

Instrument	Interest rate	Maturity	Outstanding (INRm)	Outstanding (USDm) ^(d)	Leverage
Term loans from banks	6.04%-10.46%	Sep 13-Mar 34	11,600	178	
External commercial borrowings (ECB)	5.64%	May 15-Apr 22	2,539	39	
Capital leases		FY20-FY21	90	1	
Vehicle loans	8.51%-9.15%	FY22-FY23	173	3	
Working capital loans	6.90%-12.26%	<1 year	14,924	229	
Total secured debt			29,326	451	3.1x
Term loans from banks and others	0.92%-8.00%	Dec 11-Mar 21	217	3	
USD 10m Foreign currency convertible bonds (FCCB)	7.05%	May-18	734	11	
USD 200m Senior bonds	7.13%	Feb 22	12,764	196	
Compulsory convertible bonds (CCD)	1.00%	Mar 16-Mar 21	1,438	22	
Loan repayable on demand from others	7.80%	<1 year	53	1	
Current maturities of long term liabilities	-		148	2	
Total debt			44,681	687	4.7x
Cash and cash equivalents			1,969	30	
Net debt			42,712	657	4.5x
Market capitalisation			13,402	206	
Enterprise Value			56,114	863	
Adjusted EBITDA (FY18)	9,519.1			EV/EBITDA	5.9x

Sources: Company reports, *Debtwire*(1) INR / USD 0.01537 as of 31 March 2018, sourced from Oanda.com
Refer detailed capital structure on page 4

Jain Irrigation Systems Ltd (JISL) has approached its 14-lender onshore working capital consortium to raise its strained working capital limit by a further INR 3.15bn (USD 45.2m) and has delayed the payment of certain salaries, highlighting the liquidity crunch the Indian irrigation-products maker is facing, [Debtwire reported on 21 June](#). JISL reported cash of only INR 1.17bn as of 31 March 2019. It had committed [undrawn credit lines of INR 10.5bn](#), according to an S&P report. Against that, the company had INR 19.17bn of short-term debt.

Its ability to generate cash is hampered by large interest payments relative to its EBITDA (56% of *Debtwire*-calculated EBITDA in FY19 through 31 March 2019), and working capital outflows ([INR 8.8bn in FY19](#)). Working capital has been draining JISL's cash for a decade, but the problem turned worse in FY19, which management [blamed on difficulty in collecting receivables from the Indian government, poor rainfall and tight liquidity in rural markets](#).

In FY19, reported accounts-receivable days increased by 12 days to 127. The situation was particularly bad in 4Q19, when receivables from the irrigation-systems business (which accounted for 52% of the company's FY19 revenue), jumped to INR 16.24bn from INR 13.33bn in 3Q18 through 31 December.

Given its weak liquidity, JISL's fate is firmly in the hands of its banks. While the company has always been highly reliant on short-term bank funding -- cash only averaged 9% of short-term debt between FY17 and FY19 -- sentiment surrounding the company seems

to have sharply deteriorated recently, especially around 10 June when rumors began circulating that JISL defaulted on its debt.

The rumours sent the JISL's USD 200m 7.125% due-2022s into a freefall - the notes are now at 50-handle versus 94 in early June. The [company on 13 June denied it had defaulted](#), a day after India's CARE Ratings downgraded JISL's bank facilities by four notches citing "the stress in liquidity position of the company due to delay in realization of debtors." Just days after, S&P on 20 June downgraded the company two notches to B- and placed the ratings on CreditWatch Negative, citing rising operational risks and tight liquidity.

Without the additional bank funding, there is a real risk that the company could run out of cash in the near future, leading to a downward spiral because JISL would likely be unable to execute on its growing orderbook, resulting in significant EBITDA declines.

However, JISL's business could sustain and eventually become cash-flow positive if it manages to obtain short-term financing and normalises its working capital, *Debtwire* analysis shows.

The company's business is growing at a solid clip - revenue was up 8.6% YoY in FY19, and its order book grew 26% YoY to INR 51.52bn as of 31 March 2019, setting it up for continued top line growth in FY20, if it doesn't run out of cash in the meantime.

The company is also well diversified with revenue from outside of India making up 49% of the company's top line in FY19 -- it has grown 36% between FY17 and FY19.

Based on JISL's order book growth, *Debtwire* conservatively estimates that FY20 EBITDA will grow in the mid-to-high single percentages. A growth of 6%-10% will translate into an FY20 EBITDA of INR 9.9bn at the midpoint.

Jain's closest peers Valmont Industries and Toro Company -- both New York-listed -- currently trade at EV/ EBITDA multiples of 9x and 17x, respectively. Both companies are in a far better financial position having strong liquidity. But even taking a heavy discount to those peers and assuming JISL should be valued at 6x its FY20 EBITDA, it would imply an enterprise value of INR 60bn for the Indian company, which is sufficient to cover its debt stack of INR 50.99bn.

DEBTOR SUMMARY

Promoter	Atul Jain and family
Sector	Agriculture
Total debt (as of 31 March 2019)	INR 50.99bn
FY19 Adjusted EBITDA	INR 9.26bn
Leverage (FY19)	5.5x

Source: Debtwire, Company filings

ASIA CREDIT RESEARCH

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COMPS, USD m												
Company	Ticker	Enterprise Value	Latest LTM EBITDA	1 year Forward EBITDA	Forward EV/ EBITDA multiple	Latest LTM Revenue	1 year Forward Revenue	Forward EV/ Revenue multiple	Total Debt	Net debt	Total Debt/ EBITDA	Net Debt/ EBITDA
Jain Irrigation Systems Ltd ⁽¹⁾	JISLJALEQS	863	133	145	6.0x	1,237	-	-	736	719	5.5x	5.4x
Valmont Industries, Inc ⁽²⁾	VMI	3,407	321	377	8.7x	2,751	2,920	1.1x	753	440	2.3x	1.4x
Toro Company ⁽³⁾	TTC	8,340	419	490	16.6x	2,754	3,196	2.5x	313	23	0.7x	0.1x
Lindsay Corporation ⁽⁴⁾	LNN	895	45	38	20.2x	514	406	1.9x	117	-45	2.6x	-
Kubota Corp ⁽²⁾	6326	24,490	2,270	2,410	10.3x	17,155	18,240	1.4x	7,667	3,143	3.4x	1.4x
Peer median average					16.6x			1.9x			2.5x	1.4x

Note: Peer numbers are based on consensus estimates

Source: Factset, *Debtwire* (1) The forward multiple is based on FY20 ending March 2020 (2) The multiples are for FY19 ending December 2019 (3) The multiples are for FY19 ending October 2019 (4) The multiple is based on FY19 ending August 2019

JAIN IRRIGATION SYSTEMS FINANCIAL SUMMARY						
INRm	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	YoY% Δ
Period ending	2015	2016	2017	2018	2019	
Revenue	63,092.6	64,864.6	69,393.2	78,955.4	85,769.4	8.6%
Adjusted EBITDA	7,797.1	8,183.0	9,402.3	9,519.1	9,256.2	-2.8%
<i>Adjusted EBITDA margin</i>	12.4%	12.6%	13.5%	12.1%	10.8%	-10.5%
Company stated EBITDA	8,616.0	9,221.0	10,029.0	11,528.0	12,577.0	9.1%
<i>EBITDA margin</i>	13.7%	14.2%	14.5%	14.6%	14.7%	0.4%
Net interest Expense	-4,502.4	-4,722.0	-4,499.1	-4,584.9	-5,137.4	-
Operating cash flow	1,963.6	-540.7	2,191.0	8,281.2	-	-
Capital expenditure	-2,204.7	-2,590.9	-3,054.2	-5,284.1	-	-
Free cash flow	-241.1	-3,131.6	-863.2	2,997.0	-	-
Net borrowings	1,655.6	723.4	-516.5	3,606.0	-	-
Equity raised / Dividends	-269.5	924.8	-136.0	-432.4	-	-
Free cash flow, net	1,145.0	-1,483.4	-1,515.7	6,170.6	-	-
Cash and equivalents	2,998.5	3,757.9	1,111.2	1,969.2	1,174.1	-40.4%
Total Debt	42,679.7	41,258.2	40,334.8	44,681.5	50,990.0	14.1%
Net Debt	39,681.2	37,500.3	39,223.6	42,712.3	49,815.9	16.6%
Total Debt/Adj. EBITDA	5.5x	5.0x	4.3x	4.7x	5.5x	17.4%
Net Debt/Adj. EBITDA	5.1x	4.6x	4.2x	4.5x	5.4x	19.9%
Adj. EBITDA / cash interest paid	1.7x	1.7x	2.1x	2.0x	-	-

Source: Company filings, Debtwire

BUSINESS DESCRIPTION

Jain Irrigation is an Indian based manufacturer of irrigation systems and plastic piping. The company also has an agro-processing unit producing dehydrated onions and processed fruits.

Micro irrigation systems, which include both drip and sprinkler irrigation systems, made up 52% of the company's FY19 revenue.

The plastic segment includes PVC piping, used

for industrial applications such as gas and water transportation, makes up 25% of revenue. Agro processing accounts for 21% of revenues.

JISL had 33 manufacturing facilities spread across the western and southern regions of India as of 31 March 2018. Of these, 17 plants were based outside India and contributed 49% to the FY19 revenue.

As of 31 March 2019, the company was 28.64%

owned by the Jain family. The Jain's have pledged a 13.87% stake in JISL to its bank lenders. JISL was founded by Bhavarlal Jain in 1986.

CONSOLIDATED QUARTERLY SEGMENT WISE REVENUE

INRm	Jun-18	Sep-18	Dec-18	Mar-19	Mar-19
Period ending	1Q19	2Q19	3Q19	4Q19	2019
Revenue					
Hi-tech agri input products	9,932	9,779	10,238	14,291	44,239
Plastic division	5,850	4,410	5,496	5,551	21,307
Agro processing	4,538	4,383	4,107	5,365	18,392
Other business division	291	379	537	625	1,831
Operating Margin %					
Hi-tech agri input products	16%	16%	16%	19%	17%
Plastic division	9%	13%	10%	12%	11%
Agro processing	8%	5%	13%	14%	10%
Other business division	25%	15%	26%	22%	22%

Source: Debtwire, company filings

WORKING CAPITAL SUMMARY CONSOLIDATED

INRm	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19
Period ending	2015	2016	2017	2018	2019
Revenue	63,093	64,865	69,393	78,955	85,769
Inventories	18,295	18,750	22,581	24,565	24,840
Trade Receivables	19,395	21,743	22,821	25,274	29,948
Trade Payables	13,549	13,405	15,380	19,907	17,588
Working Capital	24,141	27,088	30,022	29,932	37,200
<i>Days inventory outstanding⁽¹⁾</i>	<i>194</i>	<i>194</i>	<i>210</i>	<i>205</i>	<i>196</i>
<i>Days sales outstanding⁽²⁾</i>	<i>108</i>	<i>116</i>	<i>117</i>	<i>111</i>	<i>118</i>
<i>Days payables outstanding⁽¹⁾</i>	<i>143</i>	<i>141</i>	<i>146</i>	<i>154</i>	<i>149</i>
<i>Cash conversion cycle</i>	<i>159</i>	<i>169</i>	<i>181</i>	<i>163</i>	<i>165</i>

Source: Debtwire, company filings (1) Calculated as average of balance sheet item on cost of goods sold (2) Calculated as average receivables on revenue

DETAILED CAPITAL STRUCTURE (INRm) as of 31 March 2018

Instrument	Borrower / Issuer	Issue date	Interest rate	Maturity	Outstanding (INRm)	Outstanding (USDm) ⁽¹⁾	Leverage	Details/Security
Term loans from banks:								
Canara Bank				Apr 18-Apr 23	737.6	11.3		First charge on movable assets of company and pari-passu by way of equitable mortgage of company situated at Village Bambhori & Shirsoli, Jalgaon in Maharashtra. Also personal guarantee of three directors including Managing Director
	Jain Irrigation Systems Ltd		10.46%	Jan 18-Oct 22	693.6	10.7		First charge on movable assets of company and equitable mortgage of selected lands at Takarkheda Shiver, Taluka Erandol, Jalgaon. Also pari passu by way of equitable mortgage of company situated at Village Bambhori & Shirsoli, Jalgaon in favour of IDBI Trusteeship Services Ltd,
Exim Bank				Nov 19-Oct 22	1,481.3	22.8		First charge on movable assets of company and equitable mortgage of selected lands at Takarkheda Shiver, Taluka Erandol, Jalgaon. Also pari passu by way of equitable mortgage of company situated at Village Bambhori & Shirsoli, Jalgaon in Maharashtra
	Jain Farm Fresh Foods Pvt Ltd		6.04%	Mar 20-Aug 25	1,087.5	16.7		First charge on movable fixed assets of company and pari-passu by way of equitable mortgage in favour of Security Trustee i.e. SBICAP Trustee Company Ltd on behalf of Exim Bank of immovable property of company situated at Vadodra in Gujarat, Chittor in Andhra Pradesh and Shirsoli
	-			Jun 19-Apr 24	3,209.8	49.3		Paripasu charge on the assets borrowing subsidiary company
Bank HaPoalim	-			Oct-22	310.9	4.8		
Bank Leumi	-			May-21	358.5	5.5		
	-			Mar-23	294.9	4.5		
First International Bank of Israel	-			Dec-19	81.6	1.3		
Union Bank of Israel	-			Oct-22	62.5	1.0		
People's Bank & Trust Co.	-			Jun-26	65.5	1.0		
Wells Fargo	-		6.80%	-	31.8	0.5		Specific equipment's of borrowing subsidiary company
	-			Sep-18	0.3	0.0		Certain assets of borrowing subsidiary company
John Deere Financial	-			Feb-20	0.9	0.0		Specific plant and machinery of borrowing subsidiary company
Ally Bank	-			May-20	3.5	0.1		
U S Bank	-			Apr-21	17.2	0.3		
U S Bank	-			Dec-19	1.9	0.0		
CNH Capital	-			Jan-19	0.5	0.0		
Kubota Credit Corporation USA	-			Sep-20	1.7	0.0		
Close Brothers	-			Sep 14-Jan 23	105.1	1.6		
Banque Cantonale Neuchateloise	-			Dec-34	228.6	3.5		Specific land and buildings assets of the borrowing subsidiary company
Union Bank of India (UK) Ltd, UK	-			Mar-24	322.2	5.0		100% Share pledge of NaandanJain Irrigation Ltd., Israel and guaranteed by holding company

Instrument	Borrower / Issuer	Issue date	Interest rate	Maturity	Outstanding (INRm)	Outstanding (USDm) ⁽¹⁾	Leverage	Details/Security
Cooperatieve Rabobank U.A	Jain Farm Fresh Foods Pvt Ltd	-	6.04%	Apr 17-Apr 21	1,652.6	25.4		All properties and assets of the borrowing subsidiary company
ING Bank, Belgium				Feb-25	598.2	9.2		Pari-passu charge on the assets borrowing subsidiary company
Lloyds Bank, UK				Sep 13-Sep 18	0.5	0.0		Specific plant and Machinery of borrowing subsidiary company
Community Bank				Mar-34	251.6	3.9		Certain lands and improvement thereon of borrowing subsidiary company
Federal Home Loan Bank 5 year index + 3.5%								
External Commercial Borrowings (ECB):								
International finance corporation (IFC)	Jain Irrigation Systems Ltd	-	5.64%	May 15-Oct 20	580.3	8.9		Charge ranks subservient to charge created in favour of IFC to secure its loan of USD 60m over movable and fixed assets of company's plants at Bhavnagar in Gujarat, Hyderabad in Andhra Pradesh and Jalgaon in Maharashtra. Further secured by personal guarantee of three directors including managing director
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V (FMO)				Nov 15-May 21	570.3	8.8		
Deutsche Investitions-Und Entwicklungsgesellschaft mbH (DEG)					700.9	10.8		
Société De Promotion Et De Participation Pour La Coopération Économique (Proparco)				Nov 15-Apr 22	687.1	10.6		
Capital leases (Plant and Machinery)	Jain Farm Fresh Foods Pvt Ltd			FY20-FY21	89.8	1.4		Related specific plant, machinery and equipment's
Vehicle Loans	Jain Farm Fresh Foods Pvt Ltd	-	8.51%	FY22-FY23	118.7	1.8		Secured by exclusive charge on specific financed vehicles to specified lenders
	Jain Farm Fresh Foods Pvt Ltd		9.15%		11.6	0.2		
	Jain Irrigation Systems Ltd				43.1	0.7		
Working capital loans	Jain Irrigation Systems Ltd	-	12.26%	< 1 year	2876.6	44.2		First pari-passu charge in favour of Security Trustee i.e. IDBI Trusteeship Services Ltd, Mumbai on all of company's raw materials, finished goods, stores and spares and book debts, receivables, claims, bills etc. Further secured by second charge ranking pari-passu by way of equitable mortgage in favour of IDBI Trusteeship Services Ltd on behalf of consortium members on property of company situated at Village Bambhori & Shiroli, Jalgaon. Also secured by personal guarantee by managing director and three other directors
Cash credit accounts					10.2	0.2		
Export packaging credit					1798.8	27.6		
Bill discounting					897.7	13.8		
Working capital loans	Jain Farm Fresh Foods Pvt Ltd	-	6.90%	< 1 year	1,252.8	19.3		Secured against a floating charge on entire trade receivables and inventories and second charge on certain property, plant and equipment
Cash credit accounts					3,057.4	47.0		
Export packing credit					513.2	7.9		
Bill discounting					240.9	3.7		
Working capital loans	-	-	7.76%	< 1 year	4,267.9	65.6		First pari-passu charge on respective company's all raw material, finished goods, stores and spares wherever located and its book debts, outstanding monies, receivable, claims, bills, contracts, securities, investments, rights and assets. Further secured by a pari-passu by way of equitable mortgage of fixed assets.
Cash credit accounts	-				8.7	0.1		
Total secured debt					29,326.2	450.7	3.1x	

Instrument	Borrower / Issuer	Issue date	Interest rate	Maturity	Outstanding (INRm)	Outstanding (USDm) ⁽¹⁾	Leverage	Details/Security
Term loans from banks: UBS AG	Jain Irrigation Systems Ltd	-	0.92%	Apr 12-Feb 19	165.5	2.5		
				Dec 11-Nov 18	46.0	0.7		
Term loan from others	-	-	8%	Mar-21	5.5	0.1		
USD 10m Foreign currency convertible bonds		-						
USD 5m FMO - Nederlandse Inancierings Maatschappij Voor Ontwikkelingslanden N.V.	Jain Irrigation Systems Ltd	May-13	7.05%	May-18	367.2	5.6		
USD 5m PROPARCO - Société De Promotion Et De Participation Pour La Coopération Économique					367.1	5.6		
USD 200m Senior Bonds due 2022	Jain International Trading BV, Netherlands	Feb-17	7.1%	Feb-22	12,764.2	196.2		Guaranteed by parent company - Jain Irrigation Systems Ltd
Compulsory convertible debentures (CCD)	Jain Farm Fresh Foods Pvt Ltd	-	1%	Mar 16-Mar 21	1,438.3	22.1		
Loan repayable on demand from others		-	7.8%	<1 year	53.2	0.8		
Current maturities of long term liabilities					37.7	0.6		
	Jain Farm Fresh Foods Pvt Ltd	-	-	<1 year	110.6	1.7		
Total debt					44,681.5	686.6	4.7x	
Cash and cash equivalents					1,969.2	30.3		
Net debt					42,712.3	656.3	4.5x	
Market capitalisation					13,401.8	206.5		
Enterprise Value					56,114.1	863.0		
Adjusted EBITDA (FY18)			9,519.1			EV/EBITDA	5.9x	

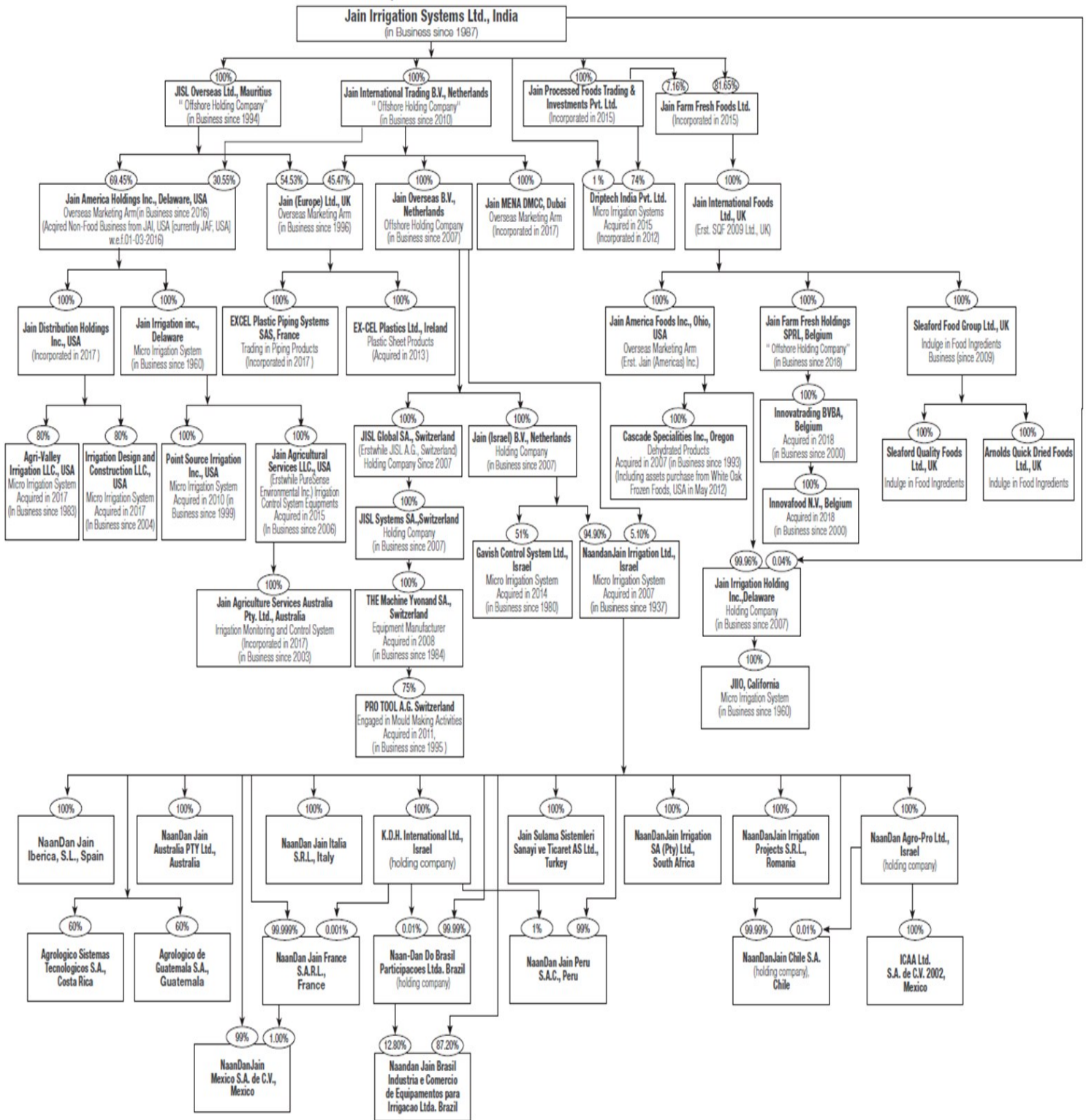
Sources: Company reports, *Debtwire* (1) INR / USD 0.01537 as of 31 March 2018, sourced from Oanda.com

MATURITY PROFILE FY19-FY20

Sr. No	Companies	Loans due in FY19-20	Paid in first 2 months	Due till Sep-19	Due from Oct 19-Mar 20
1	Jain Irrigation Systems Ltd, Jain Farm Fresh Foods Pvt Ltd, India	INR 1,757.9m	INR 520m	INR 116.7m	INR 1,121.2m
2	Overseas subsidiaries	USD 19.8m (INR 1,372m)	USD 5.8m (INR 402m)	USD 3.97m (INR 275m)	USD 10.03m (INR 695m)

Source: Company filings, Debtwire

Corporate Structure



Source: Debtwire, Company filings

USEFUL LINKS

30-May-19	FY19 results press release
-	FY18 Annual report
17-Jan-17	USD 200m bond document

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