August 29, 2025

Jain Irrigation Systems Limited: Rating reaffirmed; Outlook revised to Negative from Stable

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Non-convertible debentures	813.80	787.24	[ICRA]BBB- (Negative); reaffirmed Outlook revised to Negative from Stable
Total	**813.80**	**787.24**	

**Instrument details are provided in Annexure-I*

Rationale

The revision in the outlook on the long-term rating assigned to the non-convertible debentures (NCD) of Jain Irrigation Systems Limited (JSIL/the company) reflects the weakening of the credit profile owing to significant delay in the recovery of the identified overdue receivables (IOR) as envisaged under the resolution plan and a continued stretched working capital cycle. The cash flows are expected to remain tightly matched with the debt servicing requirements in FY2026 because of the significant working capital requirements and the slower-than-expected release of IOR.

Additionally, there is sizeable debt repayment due in FY2027 which the company intends to meet through a mix of internal cash generation, recovery of overdue receivables and sale of non-core land parcel. Around Rs. 200 crores of IOR were to be recovered in FY2025, which would have lowered the debt repayments due in FY2027, but the same did not fructify. The IOR were at Rs. 202 crores as on March 31, 2025, against Rs. 205 crores as on March 31, 2024. The company recovered around Rs. 28 crores of overdue receivables till July 2025 of the remaining Rs. 202 crores. As per the original resolution plan, company has net IOR of Rs. 660 crore to be recovered and around Rs. 468 crores has been received till July 2025. However, given that the company has completed nearly 90%-95% of the projects, the project receivable recovery is expected to pick up going forward with nearly Rs. 600-700 crore over FY2026-2028 and the same will remain a key monitorable. Additionally, company has been targeting monetisation of the non-core land parcel with expected inflow of Rs. 125-150 crore which will enable it to reduce the liability towards the remaining unsustainable debt repayment in FY2027. While there has been considerable delay in monetisation the land parcel vis-à-vis the plans, the consummation of the sale in a timely manner will be a key monitorable. Additionally, the company's operations have continued to witness higher-than-expected working capital intensity (net working capital/operating income) in FY2025 and Q1 FY2026, resulting in a modest cushion in the liquidity position as the fund-based limits remain almost fully utilised and the free cash and bank balances were modest at Rs. 26.63 crore as on March 31, 2025.

In FY2026, the company has a scheduled debt repayment of Rs. 194.14 crore which the company should be able to meet through its expected net cash accruals of Rs. 280-300 crore during the year. In FY2027, the company has a scheduled repayment of ~Rs. 692 crores payable towards the unsustainable debt. To meet the debt servicing requirement for FY2027, the company will need to recover the IORs in a timely manner and also improve upon the working capital cycle of the current business operations as the cash accruals in FY2027 will remain inadequate to meet the debt servicing requirement during the year. Additionally, the company is looking to monetise a land parcel, which if fructifies will also support the repayment of September 2026. However, ICRA notes that there has been significant delay in achieving the monetisation of the land parcel as well and, hence, the same will also remain a key monitorable.

Going forward, the recovery of the IORs in a timely manner and an improvement in the working capital cycle of the core business will be crucial for the company's credit profile. ICRA notes that the company is in discussion with the bankers to enhance its fund-based limits; an in-principle approval for enhancing the fund-based limits by Rs. 100 crore is already in place and a timely sanction of the same will support the liquidity position of the company.

The ratings continue to factor in the extensive experience of the promoters, the established market position of the company in micro irrigation systems and the PVC/PE pipes and fitting industry, its widespread network of distributers and the broad range of products catering to the agriculture and industrial pipe segments.

The ratings are, however, constrained by the high concentration of revenue on the agriculture sector and the direct impact of the Government's budget allocation for this sector on the scale of operations. The ratings also consider the susceptibility of the margins to volatility in raw material prices and exchange rates, the exposure to seasonality in demand of the agri-sector and changes in the Government's policies and regulations. The ratings are also constrained by the working capital-intensive operations of the company, resulting in a modest liquidity position.

The company's revenues witnessed a 15% YoY moderation in FY2025 because of low order inflow on account of lower spending by the Government on the Jal Jeevan Mission (JJM), moderation in polymer prices which impacted the realisation for the pipes business, an elongated monsoon which affected the demand for pipes and the Central/state elections that resulted in reduced government spending. The revenue also fell as JISL stopped taking EPC projects. However, with a higher share of revenue from the irrigation systems segment (which entails higher margins), the operating margin improved to 13.7% in FY2025 from 12.5% in FY2024. The OPBDITA, however, moderated due to the lower revenues at Rs. 441.8 crore in FY2025 against Rs. 476 crores in FY2024.

The interest coverage ratio (excluding the unwinding of fair value gain on 0.01% NCDs) was 2.0x and the DSCR was 1.19x in FY2025. The DSCR for FY2026 is expected to remain around 1.23x for the company. The DSCR will witness a sharp moderation in FY2027 owing to a lumpy scheduled repayment for the year.

ICRA notes that in the past JISL had faced significant liquidity issues arising from delays in realising receivables due to which it had applied for loan restructuring with its lenders. While the restructuring was in process, the company had to delay its debt service payments due to continued stretched receivables, a weak liquidity position and slowdown in demand. The resolution plan was implemented on March 25, 2022, and the company has been regular with its debt servicing since then. Further, the support to subsidiaries and group entities is governed by the terms and conditions of the resolution plan and, hence, ICRA has considered the standalone financials to arrive at the ratings for JISL.

The Negative outlook reflects the moderation in the liquidity position of the company amid sustained high working capital intensity and the delay in the recovery of the IORs which will put significant pressure on the debt servicing requirements coming up in FY2027.

Key rating drivers and their description

Credit strengths

Long track record and established market position of company – The promoters of JISL have extensive experience and the company has a long and established track record of more than several decades in micro irrigation and plastic pipe manufacturing. The company is a leading player in the domestic MIS and plastic segments, besides being present in tissue culture and other agri-segments. The Group in also present in food processing through its domestic subsidiary. The company is present in the irrigation system, agri-inputs and the plastic segment through its overseas subsidiaries. ICRA has considered only the standalone entity for rating due to the restrictions on support to subsidiaries and group entities under the terms of the debt resolution plan implemented on March 25, 2022.

Diversified product and business segments – JISL has diversified business segments and products, with the MIS segment accounting for 55-60% of the sales, followed by the plastic segment comprising PVC and PE pipes and fittings and plastic sheets that make up 30-35% of the sales; the remaining revenue is derived from tissue culture and other segments. Earlier, the company was also undertaking turnkey contracts under the MIS and plastic segments. However, due to the liquidity issues faced because of the delayed receivables in the segment, the company has stopped undertaking EPC contracts and is completing the remaining projects at hand. It is now mainly engaged in sales through dealers or participates in state government-based schemes (which includes some subsidy-based business) and in some cases sells directly to large contractors/institutions.

Widespread distribution network – The company has a wide distribution network in the MIS and plastic segments with presence across key states in India and overseas. The company is further expanding its distribution network to scale up its presence in the domestic and international markets.

Credit challenges

Working capital-intensive operations – The company has been facing liquidity issues in the last few years, which started with the delays in receivables for EPC projects and subsidy sales, necessitating the company to apply for restructuring. However, while the restructuring was in process, the company had to delay its debt servicing payments due to the continued stretched receivables, a weak liquidity position and demand slowdown. The resolution plan was finally implemented on March 25, 2022, and the company has been regular with its debt servicing since then. As per the plan, around Rs. 1,975 crores of fund-based limits are classified as sustainable debt and ~Rs. 1,309 crore is the unsustainable portion on which there is an interest of only 0.01%. JISL has strategically reduced its EPC business, which has lowered the project revenue but this has been offseted by the increase in the retail business. The company is focusing on improving and expanding its retail business, which has a cash & carry model, resulting in efficient working capital utilisation and improvement in the overall margins, although the completion of the projects and slow recovery of the receivables under the same has kept the working capital cycle elongated.

The receivable position continues to be high, and the recovery of long-stuck receivables has been slower than expected with Rs. 202 crores of receivables remaining to recovered as on March 31, 2025 (Rs. 205 crores as on March 31, 2024). The company had received the remaining proceeds of Rs. 140 crores for the warrants issued in FY2025 in Q1 FY026 which enabled it to fund its sizeable working capital requirements during the quarter. However, the company's working capital cycle has not improved to the extent it was expected to improve so far. Thus, going forward, the recovery of the overdue receivables and a timely recovery of the remaining project related receivables leading to an improvement in the working capital cycle will remain a key monitorable.

Susceptibility of profitability to volatility in raw material prices and risk related to foreign exchange fluctuations – The company's performance is susceptible to the volatility in raw material prices (mainly polymer process) and other agri inputs. While exports account for 12-14% of the sales, the company imports some raw materials, which exposes it to foreign exchange risks, which are partly mitigated through hedging.

Exposed to seasonality in agriculture sector and Government regulations/policies – A major portion of JISL's sales cater to the agriculture industry and, hence, its revenues are exposed to seasonality and agro-climatic risks. Around 30-35% of the revenue comes in the fourth quarter of the financial year. As JISL supplies under a subsidy programme in the MIS segment and other Government-backed programmes in the plastic segment, it is exposed to the risk of changes in Government policies and regulation.

Liquidity position: Stretched

Given the continued higher working capital intensity and delay in the recovery of the project receivables, JISL's cash flow from operations is expected to remain tightly matched with debt repayment requirements of Rs. 194.1 crore in FY2026. The company's fund-based facilities of Rs. 1,505 crores remain fully utilised. The company has recently received a sanction of Rs. 150 crores of dealer financing, Rs.100 crore (Rs.50 crore released by SBI) for vendor financing facility and Rs. 42-crore facility on the TReDS platform which should support a quicker recovery of receivables. While the consortium leader had appraised Rs. 100 crores of additional fund-based limits for the company, the same is yet to be sanctioned by the consortium banks. A timely sanction of the enhanced limit will remain a key monitorable. However, the working capital requirements continue to be sizeable with the entire proceeds from the warrants in Q1 FY2026 being used to fund the working capital. The surplus in the account also remains modest. A timely recovery of the IORs and consummation of land sale along with an improvement in the working capital cycle will remain critical to meet the sizeable repayment towards the unsustainable debt due in FY2027.

Environmental and Social Risks

JISL is required to adhere to various environmental and social safety norms. The company has implemented quality, environment, occupational health and safety integrated management systems with latest revision certifications and these are maintained with continued improvement at all locations. The company has formulated and implemented policies adhering to national and international standards. The policies implemented also satisfy the requirements of the National Guidelines for Responsible Business Conduct, 2018 (NGRBC).

The company's exposure to social risks mainly pertains to safe operations and remaining compliant with all environmental regulations to ensure the safety of its employees. JISL has an effective ISO certified, EHS management system. ICRA does not expect the environmental and social risk to have any major impact on the company's credit profile in the near to medium term.

Rating sensitivities

Positive factors – ICRA could revise the outlook to Stable/upgrade the ratings if there is a sustained improvement in the collection period, leading to an improvement in the liquidity profile, while maintaining the scale and profitability.

Negative factors – ICRA could downgrade the ratings if the remaining IOR are not collected in a timely manner and/or the company is unable to improve its working capital cycle to push up the cash flow from operations. The ratings may also be downgraded if there is a material decline in the revenue and profitability of the company on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	NA
Consolidation/Standalone	The ratings are based on the standalone financial profile of the company

About the company

Jain Irrigation Systems Limited, established in 1986, was founded by Mr. Bhavarlal Jain. Over the years, the company has diversified into various segments of the agri-business value chain. It is present in micro irrigation systems (MIS), manufacturing a range of precision irrigation products, and also provides services like soil survey, engineering design and other solutions. Further, in the plastic segment, it manufactures polyvinyl chloride (PVC) pipes, high-density polyethylene (HDPE) pipes and plastic sheets. Other products in its portfolio include tissue culture plants, solar products and other agricultural inputs. The company is also present in the agro-processing segment through a domestic subsidiary.

Key financial indicators (audited)

JISL (Standalone)	FY2024	FY2025
Operating income	3794	3227
PAT	55.5	24.8
OPBDITA/OI	12.5%	13.7%
PAT/OI	1.5%	0.8%
Total outside liabilities/Tangible net worth (times)	0.7	0.7
Total debt/OPBDITA (times)	5.2	5.5

JISL (Standalone)	FY2024	FY2025
Interest coverage (times)	1.6	1.5

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDITA: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Aug 29, 2025	Date	Rating	Date	Rating	Date	Rating
Long term fund based: Term loan	Long term	-	-	Apr 30, 2024	[ICRA]BBB- (Stable) ISSUER NOT COOPERATING and withdrawn	Apr 03, 2023	[ICRA]BBB- (Stable)	-	-
Long term fund based: CC	Long term	-	-	Apr 30, 2024	[ICRA]BBB- (Stable) ISSUER NOT COOPERATING and withdrawn	Apr 03, 2023	[ICRA]BBB- (Stable)	-	-
Non-convertible debentures	Long term	787.24	[ICRA]BBB- (Negative)	Aug 21, 2024	[ICRA]BBB- (Stable)			-	-
				Apr 30, 2024	[ICRA]BBB- (Stable) ISSUER NOT COOPERATING	Apr 03, 2023	[ICRA]BBB- (Stable)	-	-
Non-convertible debentures	Long term	-	-	Apr 30, 2024	[ICRA]BBB- (Stable) ISSUER NOT COOPERATING and withdrawn	Apr 03, 2023	-	-	-
Short term non fund based: LC	Short term	-	-	Apr 30, 2024	[ICRA]A3 ISSUER NOT COOPERATING and withdrawn	Apr 03, 2023	[ICRA]A3	-	-
Short term non fund based: BG	Short term	-	-	Apr 30, 2024	[ICRA]A3 ISSUER NOT COOPERATING and withdrawn	Apr 03, 2023	[ICRA]A3	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Non-convertible debentures	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
INE175A07019	Non-convertible debentures	19-Feb-2022	0.01%	31-Mar-2028	787.24	[ICRA]BBB- (Negative)

Source: Company

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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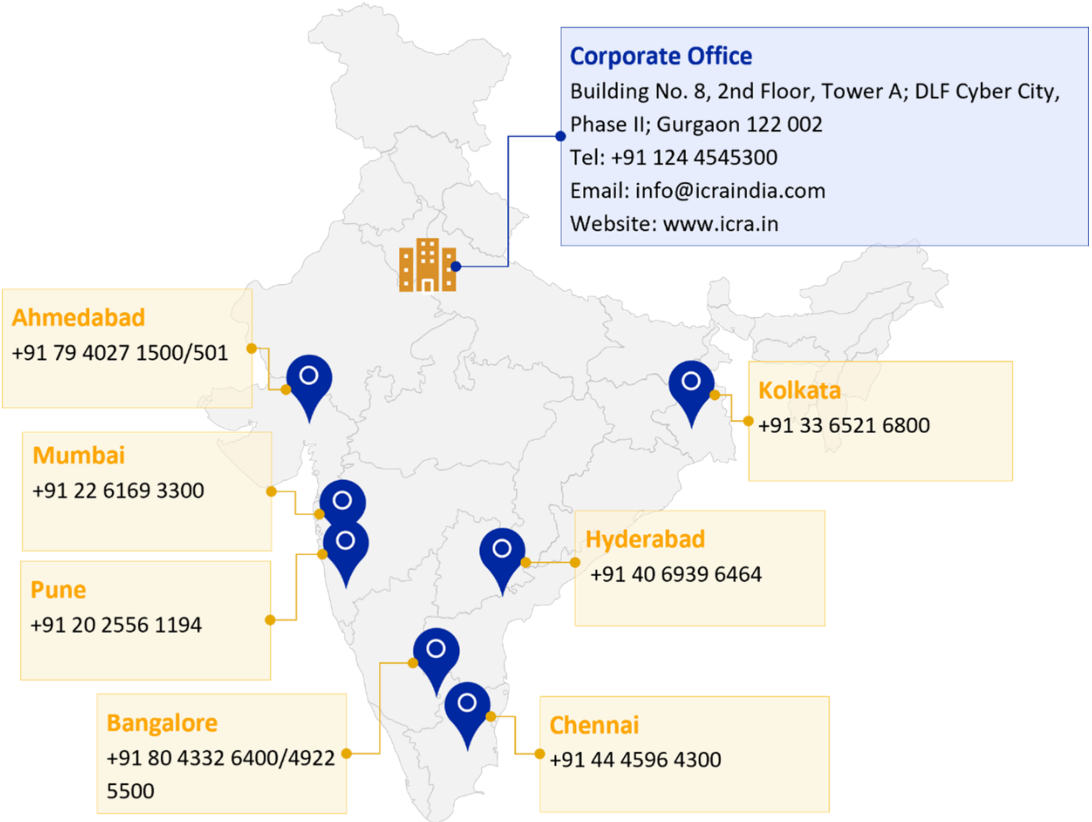

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