

Press Release

Rivulis Irrigation India Private Limited

July 05, 2022



Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	28.00	-	ACUITE A2 Downgraded
Bank Loan Ratings	38.00	ACUITE BBB Stable Downgraded	-
Total Outstanding Quantum (Rs. Cr)	66.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has downgraded the long-term rating from '**ACUITE A-** (read as **ACUITE A minus**)' to '**ACUITE BBB**' (read as **ACUITE triple B**) short-term rating from '**ACUITE A2+**' (read as **ACUITE A two plus**) to '**ACUITE A2**' (read as **ACUITE A Two**) on Rs.66.0 crore of bank facilities of Rivulis Irrigation India Private Limited (RIIPL). The outlook is '**Stable**'.

Revision in Rating

The revision in rating takes into consideration the significant deterioration in financial profile and the recent instance, where company faced procedural issues in getting refinance, which temporary caused impairment in liquidity profile. Acuite believes that in the absence of the timely support from the parent entity, the company is exposed to liquidity risk. The financial performance of the company further deteriorated, with increase in operating loss from Rs.0.40 crore in FY21 to that of Rs.26.19 crore in FY22. The same has resulted in cash loss of Rs.23.72 crore in FY22 as against that of Rs.3.09 crore in FY21. The rating, however derives comfort from strong credit risk profile of parent entity, i.e. Rivulis Irrigation Limited, Israel, which is further a wholly owned subsidiary of Temasek, a Singaporean state holding company owned by the Government of Singapore which has acquired 100% equity stake of Rivulis Irrigation Limited.

About the Company

Rivulis Irrigation India Private Limited (RIIPL) was incorporated in 2014 at Pune as a wholly owned subsidiary of Rivulis Irrigation Limited, Israel. The Current directors of the RIIPL are Mr. Kaushal Kumar Jaiswal, Mr. Richard Klapholz, Mr. Alexander Kannor and Mr. Eran Ezra. The company is involved in manufacturing of irrigation products such as micro sprinklers, plastic import sprinkler, T tape Drip tape, Hydrodrip, drip line etc. The company has manufacturing facility in Vadodara, Gujarat.

The company is a wholly owned subsidiary of an Israel based company Rivulis Irrigation Limited.

Analytical Approach

The team has considered the business and financial risk profiles of Rivulis Irrigation India Private Limited to arrive at the standalone rating. To arrive at the final rating, Acuite has notched up the standalone rating by factoring in the parent support extended by Rivulis Irrigation Limited, Israel.

Key Rating Drivers

Strengths

Strong parent entity in the form of Rivulis Irrigation Limited

RIIPL is Pune based company which was incorporated in the year 2014. The company is a wholly owned subsidiary of Rivulis Irrigation Limited, Israel (RIL), which is the second largest player, globally in micro drip irrigation solutions products. The company has been able to access large market in India across various states. During May 2022, Temasec, a Singapore based company has acquired 100% stake in RIL, hence making RIIPL a wholly owned step down subsidiary. RIIPL has been receiving support from RIL in the form of SBLCs extended in its favor by RIL. Further, RIL has also extended unsecured loans in order to support operations of the company.

Acuite believes that albeit the company is benefitted from strong financial support, which it receives from parent entity, its ability to constantly monitor the financial obligations and receive timely support from parent entity would be a critical factor in maintaining the credit profile of the company.

Weaknesses

Subdued financial performance of the company in FY22

As per the financial figures submitted by the company, RIIPL has reported total operating income of Rs. 157.31 crore during FY22 (Prov.) as against Rs. 169.54 crore in FY21, thereby reporting y-o-y de-growth of ~7%. The execution of work order was impacted at various places due to elections, COVID-II phase and delayed realization of receivables. Further, there has also been increase in raw material price of pipes and resins. The company was not able to pass on the incremental cost to its customer, resulting in increase in operating loss. Nevertheless, the company has already revised its sale price for orders pertaining to Andhra Pradesh and Gujarat. The price revision is expected in Tamil Nadu during current fiscal.

Acuite believes that with increase in price and resumption of economic activities, the financial performance of the company is expected to improve going forward.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

>Improvement in revenue and profitability margins with company reporting positive cash accruals.

>Ability of company to receive timely support from the parent entity by constantly monitoring the forthcoming financial obligations.

>Any further weakening of financial performance, resulting in further deterioration in liquidity

>Procedural issues related to servicing of debt

Material covenants

None

Liquidity Position: Stretched

Stretched

The company continues to report cash loss of Rs.23.72 crore during FY22 as against that of Rs.3.09 crore in FY21. The same is due to deterioration in financial performance of the company. Further, the company faced procedural issues in getting refinance, which temporary caused impairment in liquidity profile. The company has maintained cash and

bank balance of Rs.1.13 crore as on March 31, 2022. The company is significantly relying on support from its parent entity and its ability to receive timely support from the parent entity would be a key monitorable factor going ahead.

Outlook: Stable

Acuité believes that the outlook on RIPL will remain 'Stable' over the medium term on account of its strong promoter entity and long track record of operations. The outlook may be revised to 'Positive' in case of significant improvement in financial performance of the company, thereby improving liquidity also. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management or reduction in operating income of the company resulting in further deterioration of liquidity profile.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	169.54	200.18
PAT	Rs. Cr.	(8.45)	1.24
PAT Margin	(%)	(4.98)	0.62
Total Debt/Tangible Net Worth	Times	1.11	1.29
PBDIT/Interest	Times	0.04	2.01

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
27 Sep 2021	Bills Discounting	Short Term	8.00	ACUITE A2+ (Assigned)
	Working Capital Demand Loan	Long Term	5.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	13.00	ACUITE A- Stable (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A2+ (Assigned)
	Cash Credit	Long Term	20.00	ACUITE A- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
IDFC First Bank Limited	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A2 Downgraded (from ACUITE A2+)
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BBB Stable Downgraded (from ACUITE A-)
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	13.00	ACUITE BBB Stable Downgraded (from ACUITE A-)
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A2 Downgraded (from ACUITE A2+)
IDFC First Bank Limited	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A2 Downgraded (from ACUITE A2+)
IDFC First Bank Limited	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	5.00	ACUITE BBB Stable Downgraded (from ACUITE A-)

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About Acuité Ratings & Research

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