



Press Release
Rivulis Irrigation India Private Limited
October 03, 2023
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	66.00	ACUITE A- Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	66.00	-	-

Rating Rationale

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

Rationale for upgrade

The rating factors the improvement in operations of the company wherein the revenue of the company stood at Rs. 225.07 Cr. in FY23(prov.) as against Rs.157.49 Cr. in FY22. The profitability of the company has also improved from loss of (11.69)% in FY22 to profit of 5.26% in FY23(prov.). However, the rating is constrained by extensive working capital management as apparent from GCA of 321 Days in FY23 (prov)and highly leveraged capital structure of the company as reflected by debt equity of 4.27 times and TOL/TNW of 13.10 times in FY23 (prov.) Earlier the company faced procedural issues in getting refinance on time, which temporarily caused impairment in liquidity profile of the company further there was few days lag in support from parent as well which was factored in the last rating however the concern stays resolved as the liquidity is adequate and the company is getting strong support from its parent Rivulis Irrigation Limited, Israel (which is further a 100% subsidiary of Temasek Holdings Private Limited, Singapore) in the form of 100% equity share holding, time to time support through equity and USL and shared brand name. Acuite further notes that there is existence of SBLC through the sanction letters issued by the lender's of the company which implies a written commitment from parent.

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 and 100% step down subsidiary of Temasek Holdings Private Limited. 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. The Current directors of the company are Mr Kaushal Kumar Jaiswal, Mr Manoj Kumar Bhatia, Mr Eran Ossmy and Mr Ram Weingarten.

About the Group

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, Temasek , a Singapore based global investment company owned by Government of Singapore has acquired 100% stake in RIL, hence making RIIPL a wholly owned step down subsidiary.

Analytical Approach

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

Key Rating Drivers

Strengths

Strong Parent Support

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 issued by Rabo Bank. Further, RIL has also extended unsecured loans in the past to support operations of the company.

Improvement in Revenue and Profitability

The revenue of the company stood at Rs. 225.07 Cr. in FY2023(prov.) as against Rs.157.49 Cr. in FY2022. The profitability of the company has also improved to 5.26% in FY2023(prov.) as against (11.69)% in FY2022. The operations of the company were impacted significantly during the COVID and also the company was facing issues in executing orders in Andhra Pradesh as the government of Andhra Pradesh was not releasing their payments. The company has now started diversifying its customer base and has started taking orders from Telangana and Bihar. In the current year FY2024, the company has also started taking orders from Punjab.

Weaknesses

Highly leveraged capital structure and moderate financial risk profile

The financial risk profile of the company is moderate marked by moderate networth, moderate debt protection metrics and gearing level. The tangible networth of the company stood at Rs.15.32 Cr. as on March 31, 2023(prov.) as against Rs.13.12 Cr. as on March 31, 2022. The gearing level of the company stood high at 4.27 times as on March 31, 2023 (prov.) as against 4.23 times as on March 31, 2022. Further the TOL/TNW of the company stood high at 13.10 times as on 31 March 2023 (prov) as compared to 12.77 times as on 31 March 2022. The debt protection metrics of the company are moderate marked by interest coverage ratio of 1.68 times as on March 31, 2023(prov.) as against (2.65) times as on March 31, 2022. The debt service coverage ratio(DSCR) stood at 1.67 times as on March 31, 2023(prov.) as against (3.17) times as on March 31, 2022.

Intensive Working Capital Operations

The operations of the company are of working capital intensive nature marked by moderate bank limit utilisation and high GCA days. The GCA days of the company stood at 321 in FY2023(prov.) as against 379 in FY2022. The high GCA days are marked by high debtors of 238 days in FY2023(prov.) as against 266 days in FY2022. The creditor days of the company stood at 261 days in FY2023(prov.) as against 229 days in FY2022. The average bank limit utilisation of the company stood at 82.38% over the fourteen months ended on June 2023.

Rating Sensitivities

- Significant improvement in operational performance of the company
- Ability to maintain or improve profitability position
- Improvement in financial risk profile
- Any further deterioration in working capital management resulting into liquidity stretch
- Timely support from parent entity

All Covenants

None

Liquidity Position

Adequate

The liquidity profile of the company is adequate marked by adequate net cash accrual against no maturing debt obligations. The company generated net cash accrual of Rs. 4.71 Cr. in FY2023(prov.) against no maturing debt obligations. Going ahead, the company is expected to generate net cash accrual in the range of Rs. 8.05 Cr. to Rs.10.94 Cr. against no debt obligations. The average bank limit utilisation of the company stood at 82.38% or the fourteen months ended on June 2023. The current ratio of the company stood comfortable at 1.04 times in FY23 (Prov).

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 revenue and profitability of the company, thereby improving liquidity. 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 stretch in liquidity profile of the company and higher dependence on borrowed funds.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	225.07	157.49
PAT	Rs. Cr.	0.06	(32.79)
PAT Margin	(%)	0.03	(20.82)
Total Debt/Tangible Net Worth	Times	4.27	4.23
PBDIT/Interest	Times	1.68	(2.65)

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

None

Any other information

None

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>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Jul 2022	Bills Discounting	Short Term	8.00	ACUITE A2 (Downgraded from ACUITE A2+)
	Letter of Credit	Short Term	10.00	ACUITE A2 (Downgraded from ACUITE A2+)
	Working Capital Demand Loan	Long Term	5.00	ACUITE BBB Stable (Downgraded from ACUITE A- Stable)
	Cash Credit	Long Term	20.00	ACUITE BBB Stable (Downgraded from ACUITE A- Stable)
	Letter of Credit	Short Term	10.00	ACUITE A2 (Downgraded from ACUITE A2+)
	Cash Credit	Long Term	13.00	ACUITE BBB Stable (Downgraded from ACUITE A- Stable)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A- Stable Upgraded
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	13.00	ACUITE A- Stable Upgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	3.10	ACUITE A- Stable Upgraded
Axis Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	19.90	ACUITE A- Stable Upgraded

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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