

Press Release

Premier Irrigation Adritec Private Limited

February 21, 2023



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	67.32	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	60.60	-	ACUITE A3+ Assigned
Total Outstanding Quantum (Rs. Cr)	127.92	-	-

Rating Rationale

Acuite has assigned the long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.127.92 Cr bank facilities of Premier Irrigation Adritec Private Limited. The outlook is '**Stable**'.

Rating Rationale

The rating factors in the sound business risk profile and healthy financial risk profile of the company marked by low gearing and comfortable debt protection metrics. The rating also draws comfort from the longstanding operations of the company, extensive experience of the promoters in the agricultural sector and favorable outlook for micro irrigation system with the recent increase in the budgetary allocation. The adequate liquidity position of the company, which is reflected in strong current ratio and adequate cushion in the non-fund based limit utilization, also supports the rating. However, these strengths are partially offset by susceptibility to any change in government policy, volatility in raw material prices and stretched working capital cycle, due to delayed release of subsidies given the preponderance of the government entities

About the Company

Incorporated in 2008, Premier Irrigation Adritec Private Limited (PIAPL), is engaged in the manufacturing of wide range of sprinkler and drip irrigation systems, LLDPE tubes, HDPE pipes, Couplers, Emitters, Fittings and Pumps. In 2008, Jordan based Adritec Group International acquired 20% stake in PIAPL. The strategic tie up with AGI gave Premier Irrigation access to global technology for manufacturing modern cost effective irrigation systems. AGI is a global leader in providing irrigation solutions, having more than thirty years of experience in the field of irrigation with presence in over 60 markets worldwide. The Company is ISO 9001 quality management system and ISO 14001 environment management system certified Company, certified by British Standards Institution of UK ('BSI').

Analytical Approach

Acuite has considered the standalone business and financial risk profile of PIAPL to arrive at the rating.

Key Rating Drivers

Strengths

Long track record of operations and experienced management

The company has a long operational track record of around five decades in the manufacturing of modern irrigation equipment and systems in India. Day to day operations of the company is managed by Mr. Shrikant Goenka and a team of experienced and qualified professionals. Mr. Shrikant Goenka, currently serving as the President of the Irrigation Association of India and the Chairman of ICC Agri Committee, has around 25 years of experience in this Industry. Acuité believes that the long operational track record of the company coupled with the extensive experience of the management will continue to benefit the company going forward, resulting in steady growth in the scale of operations.

Healthy financial risk profile

The company's financial risk profile is marked by healthy network, low gearing and comfortable debt protection metrics. The tangible network of the company stood at Rs.93.77 Cr as on March 31, 2022 as against Rs.87.54 Cr in the previous year due to accretion of reserves. Gearing of the company stood comfortable below unity at 0.30 times as on March 31, 2022 as against 0.25 times in the previous year. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.33 times as on March 31, 2022 as against 1.39 time in the previous year. The debt protection metrics of the company declined in FY2022 as the company generated lower revenues coupled with decline in profitability margins owing to increased raw material prices. However, the debt protection metrics of the company remained at comfortable levels marked by Interest Coverage Ratio (ICR) at 2.18 times and Debt Service Coverage Ratio (DSCR) at 1.47 times as on March 31, 2022 as compared to 3.60 times and 2.84 times respectively in the previous year. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.31 times as on March 31, 2022. Acuité believes that going forward, the financial risk profile of the company will remain healthy backed by steady accruals and no major debt funded capex plans.

Sound business risk profile

The company has a sound business risk profile even though the operating income of the company declined in FY2022 to Rs.240.51 Cr from Rs.250.68 Cr in FY2021 due to lower orders from Karnataka and Tamil Nadu, two major markets which accounts for around 40-45 per cent of total revenues. This was owing to two major macro-economic factors – elections held in Tamil Nadu in Q1FY22 and reduction of budgetary fund allocation by Karnataka Government to Agriculture and Horticulture departments. However, to mitigate the risk from the subsidy credit sales, the company instead focused on tea plantation sector in East and North-East India. Moreover, the Company has booked revenue of Rs.142.56 Cr till December 2022 (Prov) compared to Rs.136.58 Cr during 9M FY 2022. It expects to book a turnover of around Rs.260 Cr in the current fiscal year with its major revenue to the tune of ~44% being booked in the last quarter of every financial year. Acuite believes the recent grant of Rs.5300 Cr for the Upper Bhadra Irrigation Project in Karnataka in the Union Budget 2023, shall support the company in the medium term, as Karnataka Government is one of the major customers. The operating margin of the company declined to 7.91 per cent in FY2022 as against 13.10 per cent in FY2021 due to significant increase in raw material prices on account of Russia-Ukraine war since Q4FY22. Moreover, the company has a fixed price contract with the government, which limits the bargaining power and pricing flexibility. However, in the current year the raw material prices have been declining pacing up with the cooling of global crude oil prices and many state governments such as Tamil Nadu, Andhra Pradesh, Telangana, Gujarat, Maharashtra, Assam and Bihar have given price increase in their quotation thereby absorbing the raw material price hikes, due to which the company expects to book higher margins with healthy revenue in the current year.

Weaknesses

Working capital intensive nature of operations

The working capital intensive nature of operations is marked by high Gross Current Assets (GCA) of 264 days in FY2022 as compared to 265 days in FY2021 marked by high debtor collection period of 186 days in FY2022 as against 152 days in the previous year. The high receivables period is due to delayed payment from the government entities as subsidy credit sales constitutes ~72% of the total sales where the credit cycle is generally elongated. Also,

receivables cycle is high at the year end as almost 40% of yearly billing is done in the last quarter. However, the inventory level stood moderate at 65 days in FY2022 as against 59 days in the previous year. The company maintains an inventory of around 1.5-2 months to mitigate the input price volatility. Acuité believes that the working capital operations of the company will remain almost at the similar levels as evident from moderate inventory levels over the medium term.

Nonetheless, the company has substantial dependence on its suppliers and creditors to support the working capital; creditors stood high at 236 days as on March 31, 2022. Sustained improvement in creditors will remain a key monitorable.

Susceptibility to volatility in raw material prices

The company is vulnerable to adverse fluctuations in raw material prices and the inability to completely pass on any increase in price to end users as unit prices are fixed by the government and reviewed periodically. Raw materials (high- and low-density polyethylene) are predominantly crude oil derivatives, and their prices move in line with crude oil rates.

Rating Sensitivities

- Growth in revenue along with improvement in profitability margins
- Further elongation in working capital cycle

Material covenants

None.

Liquidity Position Adequate

The company's liquidity position is adequate marked by net cash accruals of Rs.8.72 Cr in FY2022 as against a long term debt repayment of Rs.2.77 Cr over the same period. Further, the current ratio stood comfortable at 1.63 times as on 31st March, 2022 as compared to 1.72 times as on 31st March, 2021. Moreover, the company has unencumbered liquid investment in mutual funds of Rs.16.63 Cr as on March 31, 2022. The fund based limit remained utilised at 88.72 per cent and non-fund based limit at 63.96 per cent for seven months ended January 2023. The cash and bank balance stood at Rs.1.91 Cr as on March 31, 2022. However, the company's working capital intensive nature of operations is reflected from high Gross Current Assets (GCA) of 264 days in FY2022 as compared to 265 days in FY2021. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité believes that the outlook on the company will be 'Stable' over the medium term on account of the long track record of operations, experienced management, sound business risk profile and healthy financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position or further elongation in its working capital cycle.

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	240.51	250.68
PAT	Rs. Cr.	6.53	15.12
PAT Margin	(%)	2.72	6.03
Total Debt/Tangible Net Worth	Times	0.30	0.25
PBDIT/Interest	Times	2.18	3.60

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>

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:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	2.60	ACUITE A3+ Assigned
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	3.10	ACUITE A3+ Assigned
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE A3+ Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	24.00	ACUITE BBB Stable Assigned
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.60	ACUITE BBB Stable Assigned

Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	18.64	ACUITE BBB Stable Assigned
Canara Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	2.44	ACUITE BBB Stable Assigned
Punjab National Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	2.83	ACUITE BBB Stable Assigned
State Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	1.83	ACUITE BBB Stable Assigned
Canara Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.60	ACUITE A3+ Assigned
Punjab National Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	16.30	ACUITE A3+ Assigned
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	19.00	ACUITE A3+ Assigned
Siemens Financial Services Pvt. Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.98	ACUITE BBB Stable Assigned

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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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