



Press Release
Premier Irrigation Adritec Private Limited
May 21, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	66.32	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	61.60	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	127.92	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating to '**ACUITE BBB**' (read as **ACUITE t riple B**) and the short-term rating to '**ACUITE A3+**' (read as **ACUITE A three plus**) on Rs. 127.92 Cr. bank facilities rating of Premier Irrigation Adritech Private Limited. The outlook remains '**stable**'.

Rational For Rating

The rating factors in the improving scale of operations and margins and moderate 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 favourable outlook for micro irrigation system. The adequate liquidity position of the company, is reflected in comfortable current ratio and moderate bank-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 intensive working capital requirement due to larger dependence on subsidy-based business.

About the Company

Premier Irrigation Adritech Private Limited (PIAPL) is a leading manufacturer of irrigation equipment in India with over 50 years of experience. They are known for their drip irrigation and sprinkler systems. 'The day-to-day operations of the company are managed by Mr. Shrikant Goenka, Mr. Krishna Kumar Goenka, Mr. Michael John Pook and Mr. Pradipkumar Basak.' PIAPL was formed in 2008 from a joint venture between Premier Irrigation, a pioneer in Indian irrigation and Adritech Group International, a global irrigation company. This joint venture combines expertise in Indian agriculture with global irrigation experience. The registered office of the company is in Kolkata. The manufacturing facility is in Nagpur.

Unsupported Rating

Not Applicable

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. Acuite 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 improving scale of operations.

Improving scale of operations and improvement in margins

PIAPL posted an operating income of Rs. 258.19 Cr in FY23 as against Rs. 240.51 Cr in FY22, a yo-y growth of 7%. The company has achieved revenue of Rs. 293.05 Cr in FY24 (Prov.), driven by growth in all its business segments. PIAPL's operating margin also improved to 9.93 percent in FY24 (Prov.) as against 9.50 per cent in FY2023 and 7.91 per cent in FY2022 because of largely stable raw material prices, increased sales in drip coil product which is more profitable than sprinklers and focus on states which fetches higher margins on their products. The PAT margin also increased slightly to 3.72% in FY24 (Prov.) as against 3.45% in FY2023 and 2.72% in FY2022. The ROCE levels stood comfortable at 20.71% in FY24 (Prov.) as against 18.88% in FY2023 and 16.27% in FY2022. Acuite believes that sustainability of such improvement in operations and margins will remain a key monitorable over the medium term.

Moderate Financial Risk Profile

The company has a moderate financial risk profile marked by its healthy net worth, low gearing ratio and comfortable debt protection metrics. The net worth of the company stood at Rs. 90.81 Cr. in FY24 (Prov.) as against Rs. 79.91 Cr. In FY23. The gearing remained below unity at 0.47 times in FY24 (Prov.) as against 0.53 times in FY23 and 0.30 times on FY22. TOL/TNW ratio decreased from 1.78 times in FY23 to 1.40 times in FY24 (Prov.). The interest coverage ratio and debt service coverage ratio were 2.71 times and 1.66 times respectively as of March 31, 2024 (Prov.) in line with 2.47 times and 1.52 times respectively as on March 31, 2023. Acuite believes that the company's financial risk profile will remain at a moderate level backed by comfortable capital structure and debt protection metrics over the medium term.

Weaknesses

Intensive Working Capital Operations

The operations of the company are working capital intensive as reflected by Gross Current Assets (GCA days) of 241 days in FY24 (Prov.) as against 276 days as on March 31, 2023, and 264 days as on March 31, 2022. The debtor stood at 166 days in FY24 (Prov.) as against 185 days in FY2023 and 186 days in FY22, due to increasing focus on advanced payment-based business (non-subsidy part). For the same, the Company has formed separate Strategic Business Units (SBU), with separate teams for better focus in the non-subsidy-based business to derisk the company from subsidy receivable cycle. Furthermore, there is also an improvement in collection cycle from different states. The inventory days improved to 69 days in FY24 (Prov.) as against 78 days as on March 31, 2023, and 65 days as on March 31, 2022. Against this, the company has high dependence on its suppliers as reflected from creditor days of 175 days in FY24 (Prov.) as against 240 days in FY23 and 236 days in FY22. Acuite believes that while PIAPL would continue to have intensive working capital requirement due to larger dependence on subsidy-based business where its realisable cycle remains high, albeit slight improvement.

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

- Sustained improvement in operating income and profitability.
- Improvement in working capital cycle.

Liquidity Position

Adequate

The company has an adequate liquidity profile as reflected from net cash accruals of Rs.

13.21 Cr in FY24 (Prov.) as against a long-term debt repayment of Rs. 3.67 Cr over the same period. Current ratio stood comfortable at 1.66 times in FY24 (Prov.) as against 1.53 times in FY23 and 1.63 times in FY22. The GCA days stood comfortable 241 days in FY24 (Prov.) compared to 276 days in FY23. The fund-based limit remained utilised at 59.83 % (Apr 23-Mar 24). The cash and bank balance stood at Rs. 2.78 Cr. in FY24 (Prov.) compared to Rs. 7.75 Cr as on March 31, 2023. Acuite believes the liquidity will continue to remain adequate because of steady cash accruals against small debt repayments, moderate current ratio, absence of any capex plans and moderate bank limit utilisation.

Outlook: Stable

Acuité believes that the outlook on the company will remain 'Stable' over the medium term on account of the long track record of operations, experienced management, improvement in scale of operations and margins and moderate financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenues while maintaining operating margins, capital structure and improvement in 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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	258.19	240.51
PAT	Rs. Cr.	8.90	6.53
PAT Margin	(%)	3.45	2.72
Total Debt/Tangible Net Worth	Times	0.53	0.30
PBDIT/Interest	Times	2.47	2.18

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

Not Applicable

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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
21 Feb 2023	Bank Guarantee (BLR)	Short Term	2.60	ACUITE A3+ (Assigned)
	Bank Guarantee (BLR)	Short Term	3.10	ACUITE A3+ (Assigned)
	Bank Guarantee (BLR)	Short Term	4.00	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	15.60	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	18.64	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	24.00	ACUITE BBB Stable (Assigned)
	Covid Emergency Line.	Long Term	2.44	ACUITE BBB Stable (Assigned)
	Covid Emergency Line.	Long Term	2.83	ACUITE BBB Stable (Assigned)
	Covid Emergency Line.	Long Term	1.83	ACUITE BBB Stable (Assigned)
	Letter of Credit	Short Term	19.00	ACUITE A3+ (Assigned)
	Letter of Credit	Short Term	15.60	ACUITE A3+ (Assigned)
	Letter of Credit	Short Term	16.30	ACUITE A3+ (Assigned)
	Term Loan	Long Term	1.98	ACUITE BBB 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
Canara Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.60	ACUITE A3+ Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.10	ACUITE A3+ Reaffirmed
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.00	ACUITE A3+ Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	28.00	ACUITE BBB Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.60	ACUITE BBB Stable Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	18.64	ACUITE BBB Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	31 Oct 2026	Simple	0.88	ACUITE BBB Stable Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	31 Aug 2024	Simple	0.59	ACUITE BBB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	31 Jul 2024	Simple	0.56	ACUITE BBB Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	31 Oct 2024	Simple	0.43	ACUITE BBB Stable Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	30 Nov 2026	Simple	1.09	ACUITE BBB Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.60	ACUITE A3+ Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	16.30	ACUITE A3+ Reaffirmed

State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE A3+ Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.53	ACUITE BBB Stable Reaffirmed

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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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