Jain Irrigation Systems Ltd.

JISL/SEC/2017/01/B-2/B-6

17th January, 2017

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Ref: Code No. 500219 (BSE) & JISLJALEQS (NSE) for Ordinary Equity shares
Code No. 570004 (BSE) & JISLDVREQS (NSE) for DVR Equity Shares

Sub: Disclosure about material developments under Regulation 30 of SEBI (LODR), Regulations, 2015.

Dear Sir/Madam,

In terms of requirements of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, we wish to inform you that S&P Global Ratings and Fitch Ratings have allotted "B+, Stable Outlook" and "B+ Positive Outlook" respectively, corporate ratings to Jain International Trading B.V ('**JITBV**'), our wholly owned direct subsidiary, for issue up to USD 200 Mn of unsecured senior notes (which will also be certified Green bonds) with a USD 50 Mn over-allotment option. Please note that this is an international rating. Please find attached herewith copy of reports of both the Rating Agencies for your records and reference.

Please take the same on record and acknowledge.

Thanking you,
Yours faithfully,
For Jain Irrigation Systems Limited,

A. V. Ghodgaonkar,
Company Secretary

S&P Global
Ratings

RatingsDirect®

Research Update:

Jain Irrigation Systems Ltd. Assigned Preliminary 'B+' Rating; Outlook Stable

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Research Update:

Jain Irrigation Systems Ltd. Assigned Preliminary 'B+' Rating; Outlook Stable

Overview

- Jain Irrigation's agri-focused business is exposed to variability in monsoon patterns, seasonality, and significant working capital requirements which results in high leverage and pressure on liquidity.
- We expect the India-based company to maintain its dominant market position in India in the niche micro irrigation systems business and benefit from synergies in the pipes and food processing businesses. Management's commitment to reduce leverage and reduce dependence on short-term working capital facilities supports the credit profile.
- We are assigning our preliminary 'B+' long-term corporate credit rating to Jain Irrigation. We are also assigning our preliminary 'B+' rating to the proposed U.S. dollar notes to be issued by Jain International Trading BV and guaranteed by Jain Irrigation.
- The stable outlook for the next 12 months reflects our view that Jain Irrigation's proposed notes and satisfactory banking relationships will enable the company to appropriately manage its short-term working capital facilities. We also expect double-digit revenue growth driven by good monsoons and management's commitment to deleveraging to result in a ratio of FFO to debt of above 12%.

Rating Action

On Jan. 17, 2017, S&P Global Ratings assigned its preliminary 'B+' long-term corporate credit rating to Jain Irrigation Systems Ltd. The outlook is stable. At the same time, we also assigned our preliminary 'B+' rating to the proposed U.S. dollar notes to be issued by Jain International Trading BV and guaranteed by Jain Irrigation. Our rating on the notes is subject to our review of final issuance documentation.

Jain Irrigation is an India-based company engaged in manufacturing of plastics-based micro irrigation piping and plumbing systems. The company also has a small but growing food processing business, which mainly produces fruit pulps and dehydrated onions. Jain International Trading BV is a wholly owned subsidiary of Jain Irrigation incorporated in the Netherlands.

Rationale

Our rating on Jain Irrigation reflects the company's high leverage compared with peers' and elongated working capital cycle, resulting in pressure on liquidity. The company's business is exposed to cyclicality due to the variability in monsoons and seasonality in sales. Jain Irrigation's strong franchise with a dominant market position in India and second rank globally in the niche micro-irrigation systems market supports its credit profile. We also expect leverage to reduce and liquidity pressure to subside with growth in business and management's commitment to deleverage and reduce dependence on short-term working capital facilities.

In our view, Jain Irrigation's higher leverage than that of peers such as Valmont Industries Inc. and The Toro Co., weighs down on its financial risk profile. The company has an elongated working capital cycle of more than 160 days due to the seasonal nature of the agricultural business. This duration, combined with high cyclicality and seasonality, will likely keep the leverage high, with the ratio of funds from operations (FFO) to debt likely to remain below 20% over the next 24 months. Agricultural demand is subject to vagaries of rains, which in our view induces demand volatility.

We believe Jain Irrigation's working capital management remains a key risk to our estimates. Any delay in collection of receivables or liquidation of inventory could add further pressure on the company's leverage. We estimate that Jain Irrigation's business growth will result in working capital outflows of about Indian rupee (INR) 3.0 billion-INR5.0 billion over the next two years.

We believe Jain Irrigation's micro irrigation and the piping systems business face stiff competition from small and midsize players in India, given that these businesses have lower barriers to entry, especially in emerging markets. We consider the micro irrigation and the piping systems as part of diversified capital goods and building material segments, respectively. In our view, they are relatively asset-light compared with some of the other capital goods and building materials manufacturing businesses, but are at the same time working-capital intensive.

We expect Jain Irrigation's leverage to improve with a ratio of FFO to debt of above 12% in the fiscal year ending March 2017, from below 10% in fiscal 2016, driven by a stronger operating performance and better working capital management. The favorable Indian monsoon this year along with benign raw material prices bode well for Jain Irrigation's micro-irrigation and food processing business. The company's dominant market share of about 50% of the micro-irrigation market in India, good diversity in revenues, strong distribution network, and good relationship with farmers across its markets support the business.

We believe management is committed to reducing leverage by focusing on cash flows. A recently adopted cash-and-carry model in India should help reduce the working capital intensity. We expect Jain Irrigation's proposed issuance of senior unsecured notes to help it to refinance a significant part of its short-term working capital facilities and certain higher-cost long-term facilities, and improve the overall tenor of borrowings.

We view the micro-irrigation business in a favorable light due to the underlying demand trends for irrigation equipment and, specifically, for micro irrigation systems. The global food production system is exposed to significant challenges stemming primarily from demographic changes (population growth and rising standards of living), changing weather patterns, and scarcity of water. The water-usage efficiencies and yield improvements associated with drip irrigation solutions, and the underpenetrated Indian farm sector should continue to present significant growth opportunities for players such as Jain Irrigation and Netafim Ltd. Farmers are key customers for the micro-irrigation business and do not pose concentration risk. However, crop losses due to natural disasters or insufficient rainfall could prolong the recovery. Indian farmers generally do not have crop insurance.

Jain Irrigation is well-diversified across its key markets, which include India, the U.S., Europe, Israel, Latin America, and Africa. In fiscal 2016 (year ended March 31), the company generated more than 45% of its revenues internationally, of which more than 30% was derived from Europe and North American markets. We expect the company to continue to increase its international presence by penetrating new markets in Latin American and Africa.

We consider Jain Irrigation's profitability to be average for the industry. The profitability compares well with that of its peers' such as Netafim (up to 2015) and Valmont but ranks below Toro, which has highly evolved brands. We expect Jain Irrigation's business mix to ensure steady to slightly improving profitability of 13%-15% over the next two years.

Jain Irrigation's food business is narrow compared with the global food giants it supplies. Long-standing customer relationships provide the company with a steady stream of revenues and cash flows; but there is a level of customer concentration risks. Although we expect the customer relationships in the food business to be rather "sticky", we believe a key client loss could result in significant deterioration in operating performance.

Our base case assumes:

- India's GDP to grow 6.9% in fiscal 2017 and global GDP by 3.5% in calendar 2017.
- Jain Irrigation's revenue will grow 8%-10% in fiscal 2017 and 14%-16% in fiscal 2018, buoyed by favorable monsoons and increasing demand for its food processing business internationally.
- Jain Irrigation will have a steady to slightly improving EBITDA margins of 13%-15% over the next two years. Prices of raw material, which are crude oil derivatives, will remain supportive over this period.
- Capital expenditure (capex) will remain at INR2.0 billion-INR3.0 billion over the next two years, mainly for maintenance, given little capacity expansion.
- Stable dividends and related taxes will be INR300 million-INR450 million over the next two years.
- The company will successfully issue senior unsecured notes worth US$200 million.

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Based on these assumptions, we arrive at the following credit measures for fiscal 2017 and fiscal 2018:

- Debt-to-EBITDA ratio of 4.8x-4.0x.
- Ratio of FFO to debt of 12.0%-16.0%.
- EBITDA interest coverage of 2.4x-3.2x.

We assess Jain Irrigation's 2017 compulsorily convertible debentures (CCD) as equity-like and classify the CCD as equity and its coupon as dividend in our analysis. However; we continue to treat the 2018 foreign currency convertible debt (FCCB) and the CCD issued by Jain Farm Fresh Foods Ltd., a subsidiary of Jain Irrigation, as debt. We believe successful conversion of the 2018 FCCB could improve the company's leverage profile, although a failure to do so could put refinancing pressure and accentuate the liquidity situation.

Our preliminary rating is based on the expectation that the Jain Irrigation will largely use proceeds from the proposed notes to partly repay its short-term debt and refinance a portion of its long-term debt. This will help relieve some pressure on liquidity for the company and result in a better capital structure. In the absence of the retirement of some of the working capital facilities and short-term debt maturities, the company's liquidity will come under pressure and result in a weaker credit profile.

Liquidity

We consider Jain Irrigation's liquidity to be less than adequate as the company's sources of funds will fall short of its uses over the next 12 months. We consider Jain Irrigation's short-term working capital facilities of INR24.5 billion (as at Sept. 30, 2016) as uses of liquidity, although we do expect these to be rolled over, based on company's previous track record.

We believe Jain Irrigation has reasonable credit standing with Indian banks and has access to global investors such as International Finance Corp. and Mandala Primrose Co-Investment Ltd. The company has breached financial covenants in the past due to working capital movement but has obtained waivers and relaxation during times of financial stress. Jain Irrigation and its subsidiaries are in compliance with financial covenants and have some headroom at current levels. However, we believe continued support of domestic banks and lenders would be critical to manage liquidity.

Below are our estimates of liquidity for the 12-month period ended Sept. 30, 2017:

Principal Liquidity Sources:

- Cash and cash equivalents of INR2.6 billion, as of Sept. 30, 2016.
- FFO of INR6.0 billion-INR6.5 billion.
- Proceeds from the proposed senior unsecured notes of about INR13.6 billion.

Principal Liquidity Uses:

- Debt maturities of INR30.9 billion, including working capital facilities

of INR24.5 billion.
- Working capital outflows of INR3.0 billion-INR3.5 billion.
- Sustainable capital spending of about INR 1.5 billion.
- Dividend of INR300 million.

Outlook

The stable outlook reflects our view that Jain Irrigation's proposed notes and satisfactory banking relationship will help the company to manage its short-term working capital facilities over the next 12 months. We expect double-digit revenue growth driven by favorable monsoons and management's commitment to deleveraging to result in a ratio of FFO to debt of above 12% over the period.

Downside scenario

We may downgrade Jain Irrigation by multiple notches if the company's credit standing in the capital markets weakens, such that we assess its liquidity to be weak. This could happen if the company is unable to secure working capital facilities for its subsequent operating season due to deteriorating working capital or pressure on its banking relationships.

We may also downgrade Jain Irrigation if the company's working capital needs remain high, resulting in significant shortfall of funds in the absence of the proposed notes. We may also downgrade Jain Irrigation if poor monsoons in India result in the ratio of FFO to debt falling below 12%.

Upside scenario

We are unlikely to upgrade Jain over the next 12-24 months due to the company's high leverage and liquidity pressure. However, we may upgrade the company if: (1) the FFO-to-debt ratio reaches close to 20%, possibly due to strong operating performance; and (2) the company ensures adequate liquidity and a sustainable capital structure with a longer maturity profile.

Ratings Score Snapshot

Corporate Credit Rating: B+ (Prel)/Stable/--

Business risk: Fair
- Country risk: Intermediate
- Industry risk: Intermediate
- Competitive position: Fair

Financial risk: Aggressive
- Cash flow/Leverage: Aggressive

Anchor: bb-

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Modifiers
- Diversification/Portfolio effect: Neutral
- Capital structure: Neutral
- Liquidity: Less Than Adequate (-1 notch)
- Financial policy: Neutral
- Management and governance: Fair
- Comparable rating analysis: Neutral

Stand-alone credit profile: b+

Related Criteria

- General Criteria: Guarantee Criteria, Oct. 21, 2016
- Criteria - Corporates - Industrials: Key Credit Factors For The Agribusiness And Commodity Foods Industry, Jan. 29, 2015
- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria - Corporates - Industrials: Key Credit Factors For The Building Materials Industry, Dec. 19, 2013
- Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- Criteria - Corporates - Industrials: Key Credit Factors For The Capital Goods Industry, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- General Criteria: Methodology And Assumptions: Assigning Equity Content To Corporate Entity And North American Insurance Holding Company Hybrid Capital Instruments, April 01, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria - Insurance - General: Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008
- Criteria - Corporates - General: 2008 Corporate Criteria: Rating Each Issue, April 15, 2008

Ratings List

New Rating; Outlook Action

Jain Irrigation Systems Ltd.	
Corporate Credit Rating	B+ (Prel)/Stable/--

New Rating

JAIN IRRIGATION SYSTEMS LTD. JALGAON

Jain International Trading BV	
Senior Unsecured	B+ (Prel)

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at www.spcapitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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Fitch Publishes Jain Irrigation Systems' 'B+' Rating; Outlook Positive

Fitch Ratings-Singapore/Mumbai-17 January 2017: Fitch Ratings has published India-based diversified manufacturer Jain Irrigation Systems Limited's (JISL) 'B+' Long-Term Issuer Default Rating. The Outlook is Positive.

The agency has also assigned the proposed senior unsecured US dollar notes of up to USD250m issued by Jain International Trading B.V. an expected rating of 'B+(EXP)' and a Recovery Rating of 'RR4'. The notes will be guaranteed by JISL and Jain International. JISL expects to use up to USD192m of the proceeds to repay existing secured debt, and the balance for general operating purposes.

The notes are rated at the same level as JISL's senior unsecured rating as they represent unconditional, unsecured and unsubordinated obligations of the company. The Recovery Rating of 'RR4' reflects Fitch's expectation that JISL's senior unsecured creditors are likely to recover between 31%-50% in the hypothetical event of a default, after considering prior ranking claims by secured creditors within the group, as well as claims of unsecured creditors across JISL's subsidiaries that do not guarantee the proposed notes. The final rating on the notes is contingent upon the receipt of final documents conforming to information already received.

KEY RATING DRIVERS

High Leverage, Strong Business Profile: JISL's rating reflects its high leverage, which is balanced by its strong business profile as a top manufacturer of micro irrigation systems (MIS). JISL is the market leader in India by sales and number two in the world. It is also a leading processor of fruits and vegetables - the world's largest in mango processing, and third largest in dehydrated onions. The company is also one of the largest manufacturers in India of plastic pipes used for industrial and residential purposes.

JISL's high leverage is partly due to high working capital, and expansionary capex. However the company's working capital cycle has improved since the financial year ended 31 March 2013 (FY13), because it reduced its exposure to MIS sales financed by government subsidies, which are subject to protracted cash collection periods.

Positive Outlook on Expected Deleveraging: The Positive Outlook is driven by our expectations that JISL's Long-Term IDR may be upgraded in the next 24 months as its leverage (defined as lease adjusted debt net of seasonally adjusted cash/operating EBITDAR) is likely to improve to less than 3.5x over this period (FY16: 5.1x). However, a change in weather patterns, in particular the Indian monsoon, may affect sales and its plans for high expansionary capex through FY20 may delay its deleveraging.

Cash-Flow Seasonality: JISL's sales are slower during the first half of the fiscal year than the second half, which results in higher cash balance at the fiscal year-end. This is primarily because sales of MIS in India depend on the performance of the monsoon rains, which usually occur between June and September. Fitch deducts INR2bn from JISL's year-end cash balance when calculating the leverage ratio, in order to account for this seasonal variance in cash balances.

Vertical Integration, Diversified Cash-Flows: JISL's business is vertically integrated as farmers are both its customers and suppliers. Revenue is also diversified across products and geographies, with sales outside India accounting for 46% of revenue in FY16, while MIS, pipes and food processing accounted for 45%, 22%, and 24% of revenue, respectively.

Robust Long-Term Growth Prospects: India's low irrigation coverage and high dependence on erratic rainfall underpin the growth potential for JISL's irrigation products. MIS enable famers to switch from flood irrigation to more water- and energy-efficient systems that offer water savings of more than 50% on average and yield improvement of 40%-50% over traditional surface irrigation systems. According to the Indian government's National Water Policy of 2012, the country has around 18% of the world's population but only 4% of the world's water resources. Total irrigation potential in India is around 140 million hectares (ha) and MIS may be applied to around 69.5 million ha, but only about 5.5% of this area is covered by MIS. The Indian government's increasing focus on developing infrastructure also supports the prospects for JISL's plastic pipes business.

Supportive Government Policies: Government subsidies are a major driver of MIS sales in India. For example, farmers working on less than 5 ha of land receive a 50% subsidy to purchase MIS equipment. Further, local governments in India are pushing to improve farm efficiency, including the Maharashtra state government's commitment to bring its entire sugarcane cultivation area under drip irrigation and the Andhra Pradesh government's plans to bring its entire farming area under irrigation. JISL's pipes business also benefits from large government infrastructure projects. In 2015, the Indian government approved total expenditure of around INR10bn for the Smart Cities Mission and the Atal Mission for Rejuvenation and Urban Transformation projects.

Strong Brand in Food Processing: JISL's business-to-business sales are increasing given India's status as a leading global fruit and vegetable producer and are supported by strong relationships with farmers. The company is also working to increase its business-to-consumer sales. Most of JISL's medium-term growth capex is for its food processing business because it expects demand for processed food to increase due to lifestyle changes and storage advantages in its key end markets in India and overseas.

DERIVATION SUMMARY

Fitch does not rate any of JISL's direct competitors. However JISL's rating is well placed compared to companies in the diversified manufacturing segment, which are rated at 'B+'. JISL's business risk profile is stronger than peers such as China XD Plastics Co Ltd (B+/Stable) and Yingde Gases Group Company Limited (B+/Negative), underpinned by JISL's globally competitive manufacturing operations and geographically diverse cash flows. However JISL's leverage is considerably higher than these peers, driven by the company's more onerous working capital requirements and ongoing capacity expansion across most of its business segments. The Positive Outlook on JISL's rating is supported by our expectation that the company will deleverage to around 3.5x in the next 24 months.

No country-ceiling, parent/subsidiary linkage or operating environment aspects impacts the rating.

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KEY ASSUMPTIONS

Fitch's key assumptions within our rating case for the issuer include:
- High single-digit revenue growth in FY17-FY19, supported by an increasing contribution from the defensive food processing business
- EBITDA margin to be maintained at between 13%-14%
- Annual capex to remain at around 3.5%-5% of revenue in the next few years
- JISL to generate neutral free cash flow after FY17

RATING SENSITIVITIES

Future developments that may, individually or collectively, lead to positive rating action include:
- Lease adjusted debt net of seasonally adjusted cash/operating EBITDAR sustained below 3.5x
- Ability to generate sustained neutral free cash flow

Future developments that may, individually or collectively, lead to negative rating action include:
- Not meeting the positive rating sensitivities for an extended period will result in the Outlook being revised to Stable

LIQUIDITY

Manageable Refinancing Risk: At FYE16 JISL had total borrowings of INR44.2bn, including INR4.5bn in compulsorily convertible debentures (CCD). INR21.2bn of this debt consists of short-term working capital facilities, while the balance consisted of term loans and CCDs. We expect JISL to be able to roll-over its working capital facilities in the normal course of business.

FULL LIST OF RATING ACTIONS

Jain Irrigation Systems Limited
--Long Term Issuer Default Rating published at 'B+'; Outlook Positive

Jain International Trading B.V.
--Expected rating on senior unsecured US dollar notes guaranteed by JISL assigned 'B+(EXP)' rating with Recovery Rating of 'RR4'

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Additional information is available on www.fitchratings.com.

Summary of Financial Statement Adjustments - Fitch deducts INR2bn from JISL's year-end cash balance when calculating the company's year-end leverage ratio. This is because JISL's year-end cash balance was about INR2bn higher than its mid-year cash balance over the last two years, which results from the majority of JISL's sales occurring in the second half of its fiscal year.

Applicable Criteria
Criteria for Rating Non-Financial Corporates (pub. 27 Sep 2016) (https://www.fitchratings.com/site/re/885629)
Treatment and Notching of Hybrids in Non-Financial Corporate and REIT Credit Analysis (pub. 29 Feb 2016) (https://www.fitchratings.com/site/re/878264)

Additional Disclosures
Dodd-Frank Rating Information Disclosure Form (https://www.fitchratings.com/creditdesk/press_releases/content/ridf_frame.cfm?pr_id=1017628&cft=0)
Solicitation Status (https://www.fitchratings.com/gws/en/disclosure/solicitation?pr_id=1017628)
Endorsement Policy (https://www.fitchratings.com/regulatory)