# Press Release

**Patanjali Renewable Energy Private Limited**

January 07, 2021

**Rating Upgraded**

| | |
|---|---|
| **Total Bank Facilities Rated*** | Rs. 45.00 crore* |
| **Long Term Rating** | ACUITE BBB/ Outlook: Stable (Upgraded) |
| **Short Term Rating** | ACUITE A3+ (Upgraded) |

** Refer Annexure for details*

**Rating Rationale**

Acuité has upgraded the long-term rating to **'ACUITE BBB' (read as ACUITE triple B)** from **'ACUITE triple B-' (read as ACUITE triple B minus)** and the short-term rating to **'ACUITE A3+' (read as ACUITE A three plus)** from **'ACUITE A3' (read as ACUITE A three)** on the Rs. 45.00 crore bank facilities of Patanjali Renewable Energy Private Limited (PREPL). The outlook is **'Stable'**.

## Rationale for rating upgrade

The rating upgrade reflects healthy business risk profile, improvement in profitability parameters, healthy financial risk profile and adequate liquidity position. The rating also factors in comfort derived from PREPL's association with Patanjali Group, its strong promoters' group and experienced management. PREPL's scale of operations have improved to Rs. 39.32 crore in FY2020 (Provisional) at a CAGR of 137 per cent over a period of five years. Further, PREPL has managed to book a revenue of Rs. 25.33 crore in 8MFY2021 (Provisional) despite washout of sales in April and for most part of May due to Covid-19 induced lockdown across the country. Operating profit margins have improved to 7.43 per cent in FY2020 (Provisional) as against 6.62 per cent in FY2019 and 3.33 per cent in FY2018, indicating improvement in bargaining power owing to established brand name of the group.

The overall financial risk profile of PREPL is healthy owing to moderate net worth, low gearing and healthy debt-coverage indicators. Gearing improved from 0.07 times as on March 31, 2019 to 0.33 times as on March 31, 2020 (Provisional) supported by healthy debt coverage indicators with interest coverage ratio of 6.88 times and debt service coverage ratio of 6.28 times in FY2020 (Provisional).

The rating also derives comfort from financial flexibility marked by moderate utilization of bank limits and track record of infusion of funds by promoters when required. The liquidity position of the company is adequate as evident from moderate net cash accruals of Rs. 2.50 crores in FY2020 (Provisional) against no significant maturing debt obligations.

## About the Company: Patanjali Renewable Energy Private Limited (PREPL)

Incorporated in the year 2011 as Advance Navigation and Solar Technologies Private Limited, the company was acquired by Patanjali Group in 2017 and subsequently changed its name to Patanjali Renewable Energy Private Limited in 2018. PREPL is promoted by Acharya Balkrishna who holds 87.62% stake in the company. Currently, the operations of the company are led by Mr. Sudhir Kumar Aggarwal, Mr. Rishi Kumar and Mr. Som Suvedi.

The company is engaged in the manufacturing of solar PV panel, solar battery and solar appliances, with its plant located in Greater Noida having an installed capacity of 60 MW. The company operates through its dealer distribution network and also undertakes EPC of solar power projects.

**About the group: Patanjali Group**

Patanjali began its operations with Patanjali Yogpeeth in Haridwar, Uttarakhand. Patanjali Yogpeeth is one of the largest yoga institutes in the country. Patanjali Ayurved Limited (PAL) is the flagship company of the business group and was founded by Yoga Guru Swami Ramdev in 2006 along with Acharya Balkrishna, engaged in the manufacturing as well as trading of FMCG, herbal and ayurvedic products. Patanjali brand is strongly affiliated with Swami Ramdev, who is known for his work in Ayurveda, business and agriculture. However, he is not formally involved in the ownership or management in the group. Acharya Balkrishna owns 99.60 per cent of shares of PAL as on March 31, 2020.

**Analytical Approach**

Acuité has considered the standalone view of business and financial risk profiles of PREPL. Acuité has also taken into consideration the benefits derived by the company in terms of higher financial flexibility arising out of its association with the Patanjali Group.

## Key Rating Drivers

### Strengths

- **Experienced management and association with Patanjali Group**

PREPL is promoted by Acharya Balkrishna and is a part of the 'Patanjali Group' that has established its presence in the FMCG sector over the past few years. Acharya Balkrishna has an experience of more than a decade in the FMCG and Ayurveda products sector.

Mr. Sudhir Kumar Aggarwal, Mr. Som Suvedi and Mr. Rishi Kumar are the directors of PREPL. Mr. Sudhir Kumar Aggarwal has more than 30 years of experience in international trading and he looks after the day-to-day operations of the company. He is associated with All India Solar Industries Association (AISIA), since June 2019. Mr. Rishi Kumar and Mr. Som Suvedi are associated with other group companies too, and have an extensive experience of over a decade in different lines of businesses. The senior management team is ably supported by a strong line of mid-level managers.

Owing to the above-stated factors, the company has achieved a revenue of Rs. 39.32 crores in FY2020 (Provisional). Despite ongoing pandemic and lockdown across the country during first half of the current year, PREPL has reported a revenue of Rs. 25.33 crore in 8MFY2021 (Provisional). Further, PREPL has healthy revenue visibility bolstered by an unexecuted order book position of around Rs. 55 crore as on 30th November 2020 across all segments.

Acuité believes that PREPL will continue to leverage the strong market position of Patanjali brand and experience of its management in order to develop relationships with its customers and suppliers.

- **Improvement in business risk profile**

PREPL's scale of operations have shown prolonged improvement marked by an operating income of Rs. 39.32 crore in FY2020 (Provisional) resulting in a growth at a CAGR of 137 per cent over the period of five years. Operating profit margins have also improved substantially to 7.43 per cent in FY2020 (Provisional) as against 6.62 per cent in FY2019 and 3.33 per cent in FY2018.
Acuité believes that the company will be able to sustain the growth in its business risk profile over the near to medium term mainly supported by its strong brand presence in India.

- **Healthy financial risk profile**

The financial risk profile of the company is healthy marked by moderate net worth, low gearing, and healthy debt protection metrics.

The net worth of PREPL is moderate at around Rs. 31.46 crore as on March 31, 2020 (Provisional) as against Rs. 30.45 crore and Rs. 17.27 crore as on March 31, 2019 and March 31, 2018, respectively. This improvement is driven by infusion of funds in the form of capital by promoters and improving profitability. There has been a capital addition of Rs. 20.70 crore over the last two financial years ending FY2020.

PREPL is following a conservative financial policy, the same is reflected through its gearing of 0.33 times and total outside liabilities to tangible net worth (TOL/TNW) level of 0.57 times as on March 31, 2020 (Provisional). The total debt of Rs. 10.39 crore as on March 31, 2020 (Provisional) comprised of working capital borrowings to the extent of Rs. 9.70 crore and unsecured loans of Rs. 0.69 crore.

Moderate profitability levels coupled with low debt levels have led to healthy debt coverage metrics of the PREPL marked by debt-service-coverage-ratio of 6.23 times for FY2020 (Provisional) and interest coverage ratio of 6.88 times for FY2020 (Provisional). Debt-coverage indicators are moderated since last year due to inclusion of short-term borrowings in the debt profile, thereby increasing interest cost as well. Currently, PREPL is undergoing capital expansion with a total project cost of ~Rs. 22.00 crore in order to increase the capacity of the plant from 60 MW to 150 MW, which is financed entirely through internal accruals and infusion of funds by promoters and related parties in the form of unsecured loans.

Acuité believes that the financial risk profile of PREPL will continue to remain moderate on account of moderate profitability and absence of debt-funded capital expenditure.

## Weaknesses

- **Working capital intensive nature of operations**

  PREPL has intensive working capital requirements marked by gross current assets (GCA) of 247 days in FY2020 (Provisional) improved from 309 days in FY2019. This improvement is on account of inventory holding period of 131 days in FY2020 (Provisional) as against 174 days in FY2019 while debtors' collection period of 61 days in FY2020 (Provisional) as against 45 days in FY2019. The creditors' payment period is reduced to 67 days in FY2020 (Provisional) from 157 days in FY2019.

  Acuité believes that the working capital operations of the PREPL to improve marginally yet remain intensive over the medium term on account of level of inventory to be maintained and the credit given to its customers.

- **Exposure to intense competition and susceptibility to volatility in raw material prices and forex rates**

  PREPL manufactures solar PV module, Li-ion batteries and other solar appliances, wherein the company has limited bargaining power due to high competitive pressures in the industry. However, the risk is mitigated to an extent on account of experienced management and established brand name.

  The company, on the other hand, procures solar cells through imports as well as domestic market, the prices of which have remained volatile in the past.

  Further, the company is exposed to exchange rate fluctuation in order to sustain margins as the total raw material cost comprises of around 70 per cent of total sales, of which solar cell alone contributes more than 80 per cent of the total cost, with major imports from the countries such as China, Taiwan and Singapore.

### Rating Sensitivity

- Significant scaling-up of operations.
- Substantial improvement in working capital management.
- Deterioration in financial risk profile.

### Material Covenants

None

**Liquidity: Adequate**

PREPL has adequate liquidity profile marked by adequate net cash accruals to its maturing debt obligations. The company has generated cash accruals of Rs. 2.50 crore for FY2020 (Provisional), while there were no significant maturing debt obligations during the same period. The company's working capital operations are intensive marked by Gross Current Asset (GCA) of 247 days for FY2020 (Provisional). The company maintains unencumbered cash and bank balances of Rs. 0.04 crore as on 31 March, 2020. The company is undertaking capex having total cost of Rs. 22.00 crore, funded entirely through internal accruals and unsecured loans from promoters or related parties. The fund-based working capital limit of PREPL remains utilised at ~82.68 per cent over the last six months till September, 2020 while the non-fund based limit remains negligibly utilized, thereby providing sufficient liquidity buffer. In addition this, PREPL has not availed the benefits of Covid-19 Regulatory Package announced by Reserve Bank of India (RBI). The current ratio of the company stood at 1.55 times as on March 31, 2020 (Provisional). Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of adequate cash accruals against debt repayments over the medium term.

**Outlook: Stable**

Acuité believes that PREPL will maintain a 'Stable' outlook and will continue to derive benefits over the medium term due to its affiliation with Patanjali Group, extensive experience of promoters, healthy financial risk profile and healthy revenue visibility bolstered by favorable industry environment. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in its revenue and profitability while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in the working capital cycle.

**About the Rated Entity - Key Financials**

| | Unit | FY20 (Provisional) | FY19(Actual) |
|---|---|---|---|
| Operating Income | Rs. Cr. | 39.32 | 22.60 |
| PAT | Rs. Cr. | 0.41 | 0.33 |
| PAT Margin | (%) | 1.04 | 1.45 |
| Total Debt/Tangible Net Worth | Times | 0.33 | 0.07 |
| PBDIT/Interest | Times | 6.88 | 37.86 |

**Status of non-cooperation with other CRA**

None

**Any other information**

Not Applicable

**Applicable Criteria**

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

**Note on complexity levels of the rated instrument**

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

## Rating History (Up to previous three years)

| Date | Name of Instrument/ Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|---|---|---|---|---|
| 26-Sep-2019 | Proposed fund based facilities | Long term | 22.50 | ACUITE BBB-/ Stable (Assigned) |
| | Proposed non-fund based facilities | Short term | 22.50 | ACUITE A3 (Assigned) |

## *Annexure – Details of instruments rated

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Cr.) | Ratings/Outlook |
|---|---|---|---|---|---|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 10.00 | ACUITE BBB/ Stable (Upgraded) |
| Proposed fund based facilities | Not Applicable | Not Applicable | Not Applicable | 12.50 | ACUITE BBB/ Stable (Upgraded) |
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 5.00 | ACUITE A3+ (Upgraded) |
| Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 10.00 | ACUITE A3+ (Upgraded) |
| Proposed non-fund based facilities | Not Applicable | Not Applicable | Not Applicable | 7.50 | ACUITE A3+ (Upgraded) |

**Initially sanctioned by erstwhile Allahabad Bank*

## Contacts


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**About Acuité Ratings & Research:**

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.