Press Release

Patanjali Renewable Energy Private Limited

August 05, 2022

Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	22.50	-	ACUITE A3+ | Reaffirmed
Bank Loan Ratings	22.50	ACUITE BBB | Stable | Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	45.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has reaffirmed its long term rating to **'ACUITE BBB' (read as ACUITE triple B)** and short term rating from **'ACUITE A3+' (read as ACUITE A three plus)** on Rs.45.0 crore bank facilities of '**Patanjali Renewable Private Limited (VIPL)**'. The outlook is **'Stable'**.
Rationale for Reaffirmation

The reaffirmation of the ratings continues to take into account strong support from promoter group, comfortable financial risk profile, marginal improvement in revenue in FY22 (Prov.) and adequate liquidity. The ratings, however remain constrained led by moderation in profitability level and margin and timely completion of debt funded capex to be undertaken by the company and elongated working capital cycle.

About the Company

Patanjali Renewable Energy Private Limited (PREPL) was incorporated in 2011, as Advance Navigation and Solar Technologies Private Limited, subsequently renamed to current nomenclature in 2018. The company is promoted by Acharya Balakrishna who holds 87.62% stake in the company. The directors of the company are 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 80 MW. The company operates through its dealer distribution network. During FY22, the company had also initiated manufacturing of solar fan. In addition to this, the company is also fully integrated EPC solutions provider. The company undertakes designing, installing and commissioning of solar projects. The company also undertakes operation and maintenance of plant.

About the 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.
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.

Marginal improvement in total operating income

The total operating income of the company remained at similar level at Rs.42.93 crore in FY22 (Prov.) as against Rs.40.96 crore in FY21, thereby reporting y-o-y growth of ~5%. The company has been able to maintain its operating income in FY21-22 despite COVID induced lockdown. The financial performance of the company is expected to improve going ahead in FY23 as the company has an outstanding order book of Rs.82.0 crores w.r.t EPC projects to be executed in FY23. The order book comprises work order w.r.t installing street lights, solar panels, rooftop solar power plant. Further, the company also plans to establish its foothold in retail sector by increasing its installed capacity during FY23-24, which is expected to increase the revenue.

Comfortable financial risk profile

The capital structure of the company as represented by debt equity ratio continues to remain below unity, albeit with marginal moderation. The debt equity ratio remained at 0.87 times as on March 31, 2022 as against that of 0.52 times as on March 31, 2021. Further, in line with moderation in operating profit, the interest coverage ratio to 2.58 times in FY22 vis-à-vis 3.72 times in FY21. Similarly, debt-EBITDA also deteriorated to 9.40 times in FY22 as against 2.64 times in FY21. The net cash accruals to total debt moderated to 0.07 times in FY22 vis-à-vis 0.23 times in FY21. The total outstanding liability to tangible net worth also moderated to 1.01 times in FY22 (Prov.) over 0.77 times in FY21.

Weaknesses

Decline in profitability margins

The operating profit, moderated to Rs.2.82 crore in FY22 over Rs.5.99 crore in FY21. The price of solar cells contributes to major portion of total cost, any change in price of the same is expected to impact profitability level of the company. The company imports major portion of solar cells from China and hence there are factors such as safeguard duty, GST, import duty etc. In line with operating profit, net profit also declined to Rs.0.08 crore in FY22 (Prov.) as against Rs.2.83 crore in FY21 due to higher capital charge (in the form of interest and depreciation). The operating profit margin halved to 6.57% in FY22 as against 14.61% in FY21. Similarly, the net profit margin also reduced to 0.19% in FY22 over 5.01% in FY21.

Debt Funded Capex

The company has planned to increase its existing capacity of 80 MW to 200 MW during FY23-24 at an aggregate cost of Rs.35.0 crore (excluding land cost) which is expected to be funded through infusion of unsecured loans. The company is not planning to avail any additional term debt. Nevertheless, the additional capex and existing order book is expected to result in increase in total operating income during FY24. The company plans to incur Rs.25.0 crores in FY23 and remaining in FY24. The company has already received land clearance on land which is owned by the company. Further, the company plans to import machineries by December 2022. However, as on date, the company has not incurred any cost and the same is expected to be incurred by Q3FY23. Going ahead, the company also plans to cater to all districts and its tehsil to open 'Urja Kendra' in coming years.

Intense working capital cycle

The Gross current asset days of the company, albeit improved, continues to remain at higher level at 382 days in FY22 (Prov.) as against 407 days in FY21. The company sells its solar panels, solar fans through it distributor network of more than 250. Hence, the transaction is based on cash and carry model. The company receives advance s for EPC work and realizes the remaining amount in 30-60 days. Hence, debtor period of the company remained at 60-62 days during FY21-22. The creditors days remained at 84 days in FY22 as against 45 days in FY21. The average working capital utilization for past 12 months ending May 2022 remained at 95%.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

>Significant scaling-up of operations along with profitability margins.
>Substantial improvement in working capital management.
>Any deterioration in financial risk profile.

Material covenants

None

Liquidity: Adequate

Adequate

The liquidity profile of the company remained at adequate level with net cash accruals of Rs.1.80 crores during FY22 as against debt repayment obligation of Rs.0.07 crores. The current ratio remained at 3.28 times as on March 31, 2022. The company also maintains cash and bank balance of Rs. 2.13 crore as on March 31, 2022. Further, the company receives funding support from group and associate company. During FY22, Rs.17.30 crores had been infused in the form of unsecured loans. Further, with expected improvement in total operating income in FY23-24, the net cash accruals of the company are expected to remain at Rs.26-41 crore against negligible debt repayment of Rs.0.07 crore during the mentioned period.

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.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	42.93	40.96
PAT	Rs. Cr.	0.08	2.05
PAT Margin	(%)	0.19	5.01
Total Debt/Tangible Net Worth	Times	0.87	0.52
PBDIT/Interest	Times	2.58	3.72

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - https://www.acuite.in/view-rating-criteria-52.htm
- Entities In Manufacturing Sector -https://www.acuite.in/view-rating-criteria-59.htm
- Service Sector: https://www.acuite.in/view-rating-criteria-50.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

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Jan 2021	Letter of Credit	Short Term	10.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Proposed Bank Facility	Long Term	12.50	ACUITE BBB | Stable (Upgraded from ACUITE BBB- | Stable)
	Proposed Bank Facility	Short Term	7.50	ACUITE A3+ (Upgraded from ACUITE A3)
	Cash Credit	Long Term	10.00	ACUITE BBB | Stable (Upgraded from ACUITE BBB- | Stable)
	Bank Guarantee	Short Term	5.00	ACUITE A3+ (Upgraded from ACUITE A3)
26 Sep 2019	Proposed Bank Facility	Short Term	22.50	ACUITE A3 (Assigned)
	Proposed Bank Facility	Long Term	22.50	ACUITE BBB- | Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3+ | Reaffirmed
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB | Stable | Reaffirmed
Indian Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A3+ | Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	12.50	ACUITE BBB | Stable | Reaffirmed
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE A3+ | 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.