



Press Release
Patanjali Renewable Energy Private Limited
November 02, 2023

Rating Downgraded and Reaffirmed

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

Rating Rationale

Acuite has downgraded its long term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) from '**ACUITE BBB**' (read as **ACUITE triple B**) and reaffirmed the short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the total Rs.45 Cr. bank facilities of 'Patanjali Renewable Energy Private Limited (PREPL)'. The outlook is '**Stable**'.

Rationale for Downgrade

The rating downgrade reflects the continued deterioration in the business risk profile of the company marked by constant scale of operations and declining profitability. The revenues have remained in the range of Rs. 40-44 Cr. over the last three years. Further, the EBITDA margins have deteriorated at around 6.99% in FY2023 against 8.59% in FY2022 and 14.61% in FY2021. Additionally, the rating is constrained by highly utilised working capital limits, elongated working capital cycle and susceptibility of the profits linked to prices of solar modules. However, the rating derives comfort from established brand position of the Patanjali group, strong and timely financial support of promoters, comfortable financial risk profile, and healthy order book of PREPL. Going ahead, timely completion of the orders along with growth in scale of operations and profitability will remain critical to the rating.

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 as on March 31, 2023 holds 88.36% 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 also works as fully integrated EPC solutions provider and undertakes designing, installing and commissioning of solar projects. The company is also involved into providing operation and maintenance services for the solar plants.

About the Group

Patanjali group 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 group incorporated in 2006 by Yoga Guru Swami Ramdev along with Acharya Balkrishna, and is engaged in the manufacturing and trading of FMCG, herbal and ayurvedic products. Patanjali brand is strongly affiliated with Swami

Ramdev, who is known for his work in Ayurveda, Yoga and Agriculture. However, he is officially not involved in the ownership or management of the group. Acharya Balkrishna owns

Unsupported Rating

Not Applicable

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, long association with Patanjali group and healthy order book position.

PREPL is promoted by Acharya Balkrishna and is a part of the 'Patanjali Group' that has an established its presence in the FMCG sector over the past few years. Acharya Balkrishna has experience of more than a decade in the FMCG and Ayurveda products sector. Further, PREPL was incorporated in 2011 and since then has been working with a vision to reduce the use of fossil fuels and make the most of the Sunlight to resolve electricity issues in rural and urban areas within India. Mr. Som Suvedi and Mr. Rishi Kumar are the directors of PREPL. 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. Further, the company closely works with state governments and has been undertaking orders from the state government of Jharkhand, Tripura, Bihar etc. PREPL's current order value stands at around Rs. 427 Cr. to be executed in next 2-3 years.

Acuité believes that PREPL will continue to benefit from the strong market position of Patanjali brand and experience of its management in rendering new orders from the market players.

Comfortable financial risk profile

PREPL is backed by strong promoters and their timely financial support reflected in below unity debt equity ratio. The debt equity ratio remained at 0.88 times as on March 31, 2023 against 0.86 times as on March 31, 2022. The company has been following a conservative approach and debt component of the company majorly comprises of unsecured loans, short term debt and term loan. During the year, the unsecured loan to the tune of Rs. 23.32 Cr was infused by the promoters will be utilised towards raw material procurement for completion of its current orderbook. These are non interest bearing. The long term debt stood low at ~Rs. 0.70 Cr. Further, the coverage indicators have remained healthy marked by interest coverage ratio (ICR) and DSCR of 2 times and 1.38 times in FY2023. Going ahead the debt is expected to increase as company is in talks to avail additional ~Rs. 45 Cr to the existing debt of Rs. 45 Cr totalling the debt value to Rs. 90 Cr. Nevertheless, the promoters have been timely infusing funds and additional debt along with existing healthy order book is expected to result in increase in total operating income during FY24 and FY25. Timely execution of orders and conversion of the same will remain critical to the operating performance of PREPL.

Weaknesses

Sequential deterioration in profitability levels albeit marginal growth in revenue.

The total operating income of the company remained at similar level at Rs.44.78 Cr. in FY23 against Rs.42.83 crore in FY22 as against Rs.40.96 crore in FY21. thereby reporting y-o-y growth of ~5%. Although company has healthy order book position, the actual conversion of orders takes time. Further, the profitability is highly dependent on prices of solar cells which contributes to major portion of total cost, and any fluctuation in prices of the same impacts profitability level of the company. Further, solar cells are made of silicon and cells are expensive to produce as it involves additional cost to purify silicon. This has collectively resulted in sequential moderation in the operating profit at Rs. 3.13 Cr. in FY2023 against Rs.3.68 Cr. in FY2022 and Rs.5.99 Cr. in FY2021. However, during FY2022 & FY2023 the prices of solar cells were elevated and hence the operating margins have been affected. Going

forward, company expects margins to increase as there has been correction in the prices of solar cells. Further, in line with operating profit, net profit has also declined to Rs. 0.21 Cr. in FY2023 against Rs.0.60 Cr. in FY2022 as against Rs.2.83 crore in FY2021 due to higher capital charge (in the form of interest and depreciation). The EBITDA margins have been declining sequentially to 6.99% in FY2023 as against 8.59% in FY2022 and 14.61% in FY2021. Similarly, the net profit margin also reduced to 0.47% in FY23 against 1.41% in FY22 and 5.01% in FY21. Acuité believes significant improvement in revenues and profitability will remain critical towards future growth of PREPL.

Elongated working capital cycle

The Gross current asset days (GCA) of the company further increased and continue to remain at elevated levels of 683 days in FY2023 as against 440 days in FY2022. These are majorly dominated by increased debtor days of 240 days against 121 days respectively during the same period. The company's average receivables are between 100-120 days. It initially receives 40% advance against material procurement. Further, 30% is received on installation and balance 30% is retained by clients and is paid in tranches at 6% yearly for over a period of 5 years. Hence, debtor period of the company is high and is expected to continue so. However, PREPL also undertakes direct retail and EPC solar projects where debtor days generally range between 60-90 days. Further, being a manufacturing company, it needs to keep raw materials and spares in stock as reflected in the higher inventory days of 223 days in FY2023 against 208 in FY2022. The average working capital utilisation for past 6 months ending Sept 2023 remained high at 97%.

Susceptibility of the profits linked to risks associated with price volatility and timely completion of the projects

The company along with manufacturing solar panels also undertakes EPC contracts majorly for PSUs for installation of solar power projects within India which stipulates timelines for the completion of the project as per the agreed schedule and cost. The operating income of PREPL has been significantly impacted during FY2023 & FY2022 on account of elevated prices of solar cells. Further, timely implementation of the projects depend on the acquisition of land & receipt of various other approvals from government. Additionally, the profitability is susceptible to volatility in module prices. Furthermore, freight charges and aggressive bidding by EPC players is likely to drag the operating profitability on Solar EPC players.

Acuité believes that the company's ability to complete orders in timely manner will remain a key rating sensitivity.

Rating Sensitivities

- Significant scaling-up of operations along with profitability margins.
- Timely execution of orders.
- Substantial improvement in working capital cycle.
- Any significant deterioration in financial risk profile.

All Covenants

None

Liquidity Position Adequate

The liquidity profile of the company remained at adequate level with net cash accruals of Rs.1.53 Cr during FY2023 as against debt repayment obligation of Rs.0.66 Cr. The current ratio remained at 2.23 times as on March 31, 2023. The company maintains cash and bank balance of Rs. 3.42 Cr. as on March 31, 2023. Further, the company receives funding support from groups and associate company at interest free cost. During FY2023, ~Rs.24. Cr. have been infused in the form of unsecured loans. However, the working capital limits are highly utilised at around ~97% for the 6 months ended September 2023. With expected improvement in total operating income in FY2024-25, marked by healthy orderbook the net cash accruals of the company are expected to remain at Rs.5-10 Cr. against negligible debt repayment of Rs.0.68 Cr. during the same 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

Other Factors affecting Rating

Not Applicable.

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	44.78	42.83
PAT	Rs. Cr.	0.21	0.60
PAT Margin	(%)	0.47	1.41
Total Debt/Tangible Net Worth	Times	0.88	0.86
PBDIT/Interest	Times	2.00	2.68

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>
- 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

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
05 Aug 2022	Cash Credit	Long Term	10.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	12.50	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee	Short Term	5.00	ACUITE A3+ (Reaffirmed)
	Proposed Bank Facility	Short Term	7.50	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A3+ (Reaffirmed)
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)

Annexure - Details of instruments rated

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

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