



Press Release
Patanjali Renewable Energy Private Limited
May 29, 2024
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.03	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	30.00	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	32.97	-	ACUITE A3+ Assigned
Bank Loan Ratings	15.00	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	90.00	-	-

Rating Rationale

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

Rationale for Rating

The rating reflects the business risk profile of the company marked by growth in the revenues to Rs. 57.55 cr. in FY2024 (provisional) as against Rs. 44.78 cr. in FY23. Further, given a healthy order book of Rs. 554.18 Cr. as on March 31, 2024, the company is expected to report a healthy revenue growth in FY25. The rating further derives comfort from established brand position of the Patanjali group, strong and timely financial support of promoters, moderate financial risk profile. Going ahead, timely completion of the orders along with growth in scale of operations and profitability will remain critical to the rating. The rating is constrained by elongated working capital cycle and susceptibility of the profits linked to prices of solar modules.

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 managed 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 Ayurved Limited

Patanjali Ayurved Limited is a Delhi based flagship company of Patanjali Group and is engaged in the manufacturing and trading of FMCG, herbal and Ayurvedic products. Incorporated in 2006, the company is currently managed by Mr. Acharya Balkrishna.

Patanjali Foods Limited

Incorporated in 1986 Patanjali Foods Limited was initially promoted by Mr. Dinesh Shahra. It was acquired by the Patanjali Group in December 2019 through the IBBI debt resolution process and has been successfully turned around. It is listed on both BSE and NSE. It manufactures edible oils, soya food, premium table spread, vanaspati and bakery fats. It is also the highest exporter of soya meal, lecithin and other food ingredients from India. It is currently managed by Mr. Ram Bharat. The company is based in Mumbai, Maharashtra.

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 managed 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. 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 unexecuted order value stands at around Rs. 554.18 Cr. to be executed in next two 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.

Moderate financial risk profile

Due to strong promoters and their support the capital structure of the company as represented by debt equity ratio continues to remain below unity, albeit with marginal moderation. The debt component of the company majorly comprises of unsecured loans and short term debt. The debt equity ratio remained at 0.88 times as on March 31, 2023 against 0.86 times as on March 31, 2022. Further, in line with moderation in operating profit, the interest coverage ratio stood at 2.0 times in FY23 against 2.68 times in FY22. The DSCR has improved at 1.38 times during FY23 against 0.82 in FY22. The Debt to EBITDA increased to 10.24 times in FY23 from 7.32 times in FY22.

Weaknesses

Marginal revenue growth albeit a declining trend in profitability

The total operating income of the company grew at a flat rate of 4.54% to Rs.44.78 Cr. in FY23 against Rs.42.83 crore. Further, in FY24 the company reported operating income of Rs. 57.55 Cr. (provisional) thereby reporting y-o-y growth of ~28%. The prices of solar cells contribute to major portion of total cost, and any change in prices of the same is expected to impact profitability level of the company. The operating profit margin has been declining sequentially to 6.99% in FY23 as against 8.59% in FY22 and ~6% in FY24 (provisional). Similarly, the net profit margin also reduced to 0.47% in FY23 against 1.41% in FY22 and 1.5% in FY24 (provisional).

Intensive working capital cycle

The Gross current asset days of the company has stood at an elevated levels of 596 days in FY23 as against 440 days in FY22. These are majorly dominated by increased debtor days of 240 days against 121 days respectively during the same period. It initially receives 40% advance against material procurement. Further, 30% is received on installation and balance 30% is retained by clients and is received over a period of 5 years with 6% every year. Hence, debtor period of the company is high and is expected to continue so. However, company also undertakes direct retail and EPC solar projects whose debtor days generally range between 60-90 days. Further, with a long duration of the contracts, it keep raw materials and spares in stock as reflected in the higher inventory days of 223 days in FY23 against 208 in FY22. The average working capital utilisation for past 3 months ending March 2023 remained at 29.27%.

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 depends 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.
- Any further increase in the working capital cycle impacting its overall financial risk profile and the liquidity position.

Liquidity Position Adequate

The liquidity profile of the company remained at adequate level with net cash accruals of Rs.1.53 Cr. during FY23 as against debt repayment obligation of Rs.0.66 crore. The current ratio remained at 2.23 times as on March 31, 2023. The company had a free 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.

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.

Other Factors affecting Rating

None

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>
- Manufacturing Entities: <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
02 Nov 2023	Bank Guarantee (BLR)	Short Term	5.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB- Stable (Downgraded from ACUITE BBB Stable)
	Letter of Credit	Short Term	10.00	ACUITE A3+ (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	12.50	ACUITE BBB- Stable (Downgraded from ACUITE BBB Stable)
	Proposed Short Term Bank Facility	Short Term	7.50	ACUITE A3+ (Reaffirmed)
05 Aug 2022	Bank Guarantee (BLR)	Short Term	5.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB Stable (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A3+ (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	12.50	ACUITE BBB Stable (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	7.50	ACUITE A3+ (Reaffirmed)
07 Jan 2021	Bank Guarantee (BLR)	Short Term	5.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Cash Credit	Long Term	10.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Letter of Credit	Short Term	10.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Proposed Long Term Bank Facility	Long Term	12.50	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Proposed Short Term Bank Facility	Short Term	7.50	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
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	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	20.65	ACUITE A3+ Assigned
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BBB- Stable Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	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	12.32	ACUITE A3+ Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.03	ACUITE BBB- Stable Assigned
Punjab National Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE BBB- Stable Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	12.00	ACUITE BBB- Stable Assigned

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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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