



Rating Rationale

Aaditya Ayush Distributions LLP

20 Jun 2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 7.50 Crores of Aaditya Ayush Distributions LLP.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund Based Overdraft	7.50	Long Term	BWR B+ (Pronounced as BWR Single B Plus) Outlook: Stable
Total	7.50	INR Seven Crores Fifty Lakhs Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of the Firm upto FY18, provisional financials of FY19, projections of FY20, publicly available information and information/clarifications provided by the management.

The rating draws strength from the extensive experience of management, growth in revenue and established market position of principals in the industry. The rating, however, is constrained by low profit margins, moderate debt protection metrics, low tangible net worth and intense competition faces from other large established players in the FMCG sector.

Going forward, the ability of the firm to improve its scale of operations, achievement of projections, sustaining profitability margins, capital infusion in the business, improving overall financial risk profile shall be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **Extensive experience of management:** Dr. Jaideep Arya and Mr. Rakesh Mittal are the promoters and partners of the firm. They are well qualified and have a decade of experience in the industry. Their experience and knowledge has helped them in maintaining and establishing relationships with clients.
- **Growth in revenue:** The total operating income of the firm has increased from Rs. 88.90 Cr. in FY17 to Rs. 132.80 Cr. in FY18.
- **Established market position of principals in the industry:** Patanjali products have an established pan-India distribution network in the form of franchise stores, Chikitsalayas and Sewa Kendras. They act as a ready market for distributors such as AADL, minimising the efforts to build a retail chain. Strong marketing network of principals in ayurvedic medicine

and FMCG segments should continue to support the business risk profile over the medium term.

Credit Risks:

- **Low profit margins:** The profitability margin of the firm remain low with a net profit margin of 0.75% and operating profit margin of 0.11% in FY18. The current ratio is also below average at 1.08 times in FY18.
- **Moderate debt protection metrics and low tangible net worth:** The debt protection metrics was weak with ISCR of 0.88 times, however, the analysed ISCR was 2.81 Cr. in FY18, same has improved to 3.95 times as per FY19 provisionals. The tangible net worth also stood low at Rs. 1.85 Cr. in FY18.
- **Intense competition faced from other large established organised players in the FMCG sector:** The FMCG sector is highly competitive with numerous organised and unorganised players, which limits the pricing flexibility of industry participants. The industry includes many large players with a wide product portfolio, bouquet of brands and distribution network; as well as smaller players with niche products/regional focus. This implies pressure on market share and increase in promotional expenses. Further, any change in the distribution and price/margin structure or entry of new distributors of other established FMCG players may adversely affect its business.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **Aaditya Ayush Distributions LLP** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Aaditya Ayush Distributions LLP (AADL), is a partnership firm registered on 30-Dec-2015. The firm is an authorised wholesale dealer of Patanjali products which includes Kirana FMCG products, various kinds of cosmetic products, ayurvedic medicines, edible oils, rice and pulses etc. Dr. Jaideep Arya and Mr. Rakesh Mittal are the promoters and partners of the firm. They are well qualified and have a decade of experience in the industry. The firm has their distribution network expanded all across Lucknow and six other districts of Varanasi.

Company's Financial Performance

The total operating income of the firm has increased from Rs. 88.90 Cr. in FY17 to Rs. 132.80 Cr. in FY18. However, as per the FY19 provisional financials, the total operating income of the firm has reduced to Rs. 107.67 due to the after effects of GST implementation. Though the OPBDIT has reduced to Rs. 0.15 Cr. in FY18, the PAT has increased to Rs. 1 Cr. in FY18. The tangible net worth of the company is moderate at Rs. 1.85 Cr. in FY18. The debt protection metrics was weak at 0.88 times in

FY18, however, the same has improved to 3.95 times as per FY19 provisionals. The profitability margin of the firm remain low with a net profit margin of 0.75% and operating profit margin of 0.11% in FY18. The current ratio is also below average at 1.08 times in FY18.

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	132.80	88.90
EBITDA	₹ Cr	0.15	0.94
PAT	₹ Cr	1.00	0.88
Tangible Net worth	₹ Cr	1.85	1.23
Total Debt/Tangible Net worth	Times	0.27	0.10
Current Ratio	Times	1.08	1.06

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (Jun 2019)			Rating History		
		Type	Amount (₹ Crs)	Rating	2018	2017	2016
1	Fund Based Overdraft	Long Term	7.50	BWR B+ (Pronounced as BWR Single B Plus) Outlook: Stable	N/A		
	Total		7.50	₹ Seven Crores Fifty Lakhs Only			

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)



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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

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