



RATING RATIONALE

19 August 2021

Atri Papers Private Limited

Brickwork Ratings removes from Issuer Not Cooperating^{^^} category and reaffirms the long-term rating, and assigns the short-term rating for the Bank Loan Facilities amounting to Rs. 12.98 Cr of Atri Papers Private Limited.

Particulars:

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Apr 2021)	Present
Fund based Term Loans Cash Credit	10.96 10.00	2.98 10.00	Long Term	BWR BBB-/Stable (CE) Issuer not Cooperating ^{^^}	BWR BBB-/Stable (CE)^{^**} (Reaffirmed)
WCDL#	-	(10.00)	Short Term	-	BWR A3 (CE)^{^**} (Assignment)
Total	20.96	12.98	Rupees Twelve Crores and Ninety Eight Lakhs Only		

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

**A stand-alone (unsupported) long-term rating of BWR BB (Stable) is reaffirmed and stand-alone (unsupported) short-term rating of BWR A4 for the bank loan facilities is assigned.

[^]The credit enhancement derived from the close business association of the company with Patanjali Ayurved Ltd (PAL) and corporate guarantee given by PAL to the lenders for ensuring timely servicing of the rated debt obligations.

^{^^}Issuer did not cooperate; based on best available information

#As per the lender's request, a short-term rating for its WCDL limit (a sub-limit of its CC Limit) is also assigned. Details of bank loan facilities are given in Annexure I.

RATING ACTION / OUTLOOK

The removal from Issuer Not Cooperating category and reaffirmation in the long term rating and assignment of short term ratings of Atri Papers Private Limited (APPL or the company) factors in cooperation by the company in furnishing all information and data required for the review, besides the improvement in its turnover and profitability levels owing to new and regular orders received from its group entities including Ruchi Soya Industries Limited (RSIL), modest working capital limit utilization with significant reduction in its long-term debts as on 31st March 2021, unconditional and irrevocable corporate guarantee of Patanjali Ayurved Limited (PAL) which is valid for the entire tenure of the facilities with the lender. Brickwork Ratings (BWR) notes that the company has strong operational and financial linkages with the Patanjali Group. The ratings are, however, constrained by its small scale of operations and exposure to single group customer concentration risks.

BWR believes that the company's 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 company is able to significantly scale up its operations by adding new customers other than its group entities in its profile, continue to utilize its working capital limits at modest levels and able to generate sufficient internal cash accruals to meet its upcoming debt obligation over the medium term.

DESCRIPTION OF KEY RATING DRIVERS

Credit Strengths:-

Healthy relationship with the Patanjali Group of companies: The company is owned by Sh. Ram Bharat (younger brother of Baba Ramdev) now who is closely associated with other activities of Patanjali Group. The company's unit is located within the food and herbal industrial park of the Patanjali Group and generates the majority of its turnover from its group entities.

Improvement in its turnover and profitability levels: The company's ownership and management was transferred to Sh. Ram Bharat in April 2019 and it has witnessed an improvement in its performance since then. Its turnover improved in FY21 on account of new orders received from RSIL and increase in the existing orders from the Patanjali group. EBITDA levels have increased on a consistent basis owing to improvement in its operating efficiency levels over the past few years.

Unconditional and irrevocable corporate guarantee from PAL: The rating assigned derives credit enhancement by the explicit support provided by PAL (rated as BWR AA-/Stable/A1+ in Aug 2021) in the form of unconditional and irrevocable guarantee in favor of lenders of APPL to secure its debt servicing.

Credit Risks:-

Small scale of operations: The company is running a unit of 22,000 MT which generates modest levels of revenue and profitability levels. Presently, the unit is running at ~ 68% utilization levels and thus can generate maximum revenue of ~ Rs. 110-120 Crs each year.

Exposure to single group customer concentration risks: The company is exposed to the single group customer concentration risks as majority of its revenues are generated from the Patanjali group. However, its group demand for packaging is increasing in proportion to their own growth of business, and payments are also happening on time.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has taken into account, inter alia, the explicit support provided by PAL in the form of unconditional and irrevocable corporate guarantee for bank facilities of APPL. The Credit Enhancement (CE) in the rating assigned is influenced by this arrangement. BWR has applied its rating methodology as detailed in the Rating Criteria based on a standalone basis (hyperlinks provided at the end of this rationale), for the unsupported rating.

RATING SENSITIVITIES

Positive: The company's ability to scale up its operations and improve its turnover and profitability levels on a consistent basis, generate adequate internal cash accruals for servicing its



upcoming debt obligation without any financial support from its group entities along with maintaining modest utilization in its working capital limits over the medium term, will be positive for the ratings

Negative: Significant decline in its revenue and profitability margins and a slower-than-expected increase in the utilisation levels of its sole unit could impact its credit metrics over the medium term and thus, will be negative for the ratings.

LIQUIDITY: Stretched

The company continued to remain dependent on its group entities for the repayment of its annual fixed debt obligation as on 31 March 2021. The net cash accrual of the company stood at Rs. 2.03 Cr against the CPLTD of Rs. 4.10 Cr. However, its debt coverage indicators are expected to improve in the current financial year considering it had already repaid the majority of its secured/unsecured debt availed from various NBFC/FI's with no plans for any future debt-funded capex. The current ratio improved to above 1x owing to decline in its trade payables position. The average working capital limit utilization of the company remains modest at 85.50% over the past 12-month ended May 2021. Cash and cash balances remain low at Rs. 0.01 Cr as on 31 Mar 2021.

The ability of the company to generate adequate cash from its operations and receive funding support from its group entities as and when required, remainst the key sensitivity to its liquidity position

COMPANY PROFILE:

APPL was established in the year 2009, and is presently owned by Sh. Ram Bharat (younger brother of Baba Ramdev) and Mrs. Snehlata Bharat (w/o Sh. Ram Bharat). APPL is engaged in the manufacturing of corrugated boxes and cardboard cartons (packaging material) which it supplies majorly to its own group entities. The unit is located within the industrial park of the Patanjali group at Haridwar. The unit has a total installed capacity of 22,000 tons per annum and is currently operated at a capacity utilization of 68.35% (P.Y. 51.36%) in FY21.

GUARANTOR PROFILE:

PAL is a flagship company of Patanjali group and is engaged in the manufacturing and trading of FMCG, herbal and ayurvedic products. It was established in 2006 and later converted into a public limited company in 2007. It sells its products under the own brand name of Patanjali. The majority (98.54%) of the company's shareholding is held by Acharya Balkrishna (Managing Director).

FINANCIAL PERFORMANCE:

APPL's financial performance (standalone):

Key Parameters	Units	2020 (A)	2021 (Prov.)
Operating Revenue	Rs. crs	49.99	77.17
EBITDA	Rs. crs	5.29	7.45
PAT	Rs. crs	-0.50	0.18
Total TNW	Rs. crs	8.64	8.82
Total Debt/Total TNW	Times	2.33	1.62
ISCR	Times	2.05	3.23

PAL's financial performance (standalone):

Key Parameters	Units	2020 (A)	2021 (A)
Operating Revenue	Rs. crs	9066.77	9810.74
EBITDA	Rs. crs	982.74	1040.82
PAT	Rs. crs	424.72	484.56
Total TNW	Rs. crs	3710.81	5413.69
Total Debt/Total TNW	Times	0.84	0.53
ISCR	Times	4.08	3.59

Status of non-cooperation with previous CRA- Not Applicable

Any other information: Nil



Rating History for the last three years (including withdrawn and suspended)

S. No	Current Rating (2021)				Chronology of Rating History for the past 3 years (Rating Assigned and Press Release date) along with outlook/ Watch, if applicable											
	Bank Loan Facilities															
1					06 Apr 2021				07 Jan 2020				14 Aug 2019 [^]			
	Facilities	Type	Amt. (Rs. Cr)	Rating	Facilities	Type	Amt. (Rs. Cr)	Rating	Facilities	Type	Amt. (Rs. Cr)	Rating	Facilities	Type	Amt. (Rs. Cr)	Rating
	CC/TL	Long Term	12.98	BWR BBB-/Stable (CE)	CC /TL	Long Term	20.96	; BWR BBB-/Stable (CE) Issuer not Cooperating*	CC /TL	Long Term	20.96	BWR BBB-/Stable (CE)	CC /TL	Long Term	20.96	BWR BBB-/Stable (SO)
	WCDL	Short Term	(10.00)	BWR A3 (CE)												
	Total		12.98													
					21 Jan 2021											
				Facilities	Type	Amt. (Rs. Cr)	Rating									
				CC /TL	Long Term	20.96	RNR Advisory for delay in review									

*Issuer did not Cooperate, based on best available information

[^]BWR had assigned an initial bank loan rating of BWR BBB+/Stable (SO) to its existing bank loan facilities of Rs. 24.00 Cr on 28.03.2018

COMPLEXITY LEVELS OF THE INSTRUMENTS: Simple

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Credit Enhancement based on Corporate Guarantee](#)
- [Manufacturing Companies](#)
- [Short-Term Debt](#)

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Atri Papers Private Limited
ANNEXURE I
Details of Bank Facilities rated by BWR

S. No.	Name of the Lender	Type of Facilities	Long term (Rs. Crs)	Short Term (Rs. Crs)	Total (Rs. Cr)
1.	Yes Bank	Fund Based Cash Credit Term Loans WCDL	10.00 2.92 -	- - (10.00)	12.92
2	Hero Fincorp	Fund Based Term Loan	0.06	-	0.06
Total (Rs. Crs)			12.98	(10.00)	12.98

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