



Rating Rationale

Atri Papers Pvt Ltd

14 Aug 2019

Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹ 20.96 Crores of Atri Papers Pvt Ltd ('APPL' or 'The Company')

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (March 2018)	Present
Fund based Term Loans Cash Credit	14.00 10.00	10.96 10.00	Long Term	BWR BBB+ (SO) (BWR Triple B Plus) (Structured Obligation) Outlook: Stable	BWR BBB- (SO) (BWR Triple B Minus) (Structured Obligation) Outlook: Stable Downgrade
Total	24.00	20.96	INR Twenty Crores and Ninety Six Lakhs Only Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Rating: Downgrade

Rationale:

BWR essentially relied upon the Company's audited financials upto FY18, C.A. certified provisional financials for FY19, projected financials up to FY21, publicly available information and information & clarifications provided by the Company's management.

The suffix Structured Obligation (SO) to the rating indicates 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.

The revision in rating of the Company takes into account the overall decline in its operating revenues and other financial parameters over the past two years, alongwith deterioration in its liquidity profile driven by cash losses reported and high utilization in its working capital limits over the past one year. This has also resulted in the coverage ratio to remain below 1x in FY19 (provisional).

The management has informed that the Company's performance declined owing to issues of Patanjali Group with its previous management. However, with the ownership and management now resting with Sh. Ram Bharat (younger brother of Baba Ramdev), since April 2019, the monthly order book position of



the Company has improved and it now estimates to increase production & sales levels and subsequently, improve its liquidity profile in the current financial year.

The rating continues to factor in the support/commitment of Patanjali Ayurved Ltd to the Company. PAL infused unsecured loans of Rs. 6.50 Cr in order to service its interest & debt obligation.

Rating sensitivities:

Continued support from Patanjali Ayurved Ltd in terms of infusing funds as & when required would remain the key monitorables. The ability of the Company to increase its revenue by over Rs. 50 Crs by getting continuous orders from Patanjali Group, generate positive cash accruals, bring down its average working capital limit utilization to 70% and improve coverage ratios would remain the key rating sensitivity.

Description of Key Rating Drivers:

Credit Strengths

Healthy relationships 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 & herbal industrial park of Patanjali Group and generates all its turnover from Patanjali Ayurved Limited and Divya Pharmacy.

Unconditional and irrevocable Corporate Guarantee from Patanjali Ayurved Limited: The rating assigned derives credit enhancement by the explicit support provided by Patanjali Ayurved Limited (PAL) in the form of unconditional and irrevocable corporate guarantee for Atri Paper Pvt. Ltd to the lenders.

Credit Risks:

Decline in its financial performance: Turnover and EBITDA declined by over 40% and 77%, respectively on account of low orders received from Patanjali Group during FY19. EBITDA also declined on account of high procurement raw material costs, increase in salary & other overheads and decline in sales realisation. It has reported EBITDA of Rs. 1.12 Cr against total interest obligation of Rs. 2.43 Cr during FY19.

Customer Concentration Risk: The Company is exposed to customer's concentration risk as the entire operating income is generated from two companies i.e. "Patanjali Ayurved Limited" and "Divya Pharmacy".

Deterioration in its liquidity profile: Liquidity remained stretched as the Company was unable to report adequate cash accruals to meet its annual repayment obligations during FY19. Patanjali Ayurved Ltd infused additional funds of Rs. 6.50 Cr in the form of USL to meet the said debt obligations during FY19. Thus, stretched liquidity is driven by high working capital limit utilization (mainly above 95% throughout the year), overall decline in its financial performance and low cash balance with negative cash accruals reported during FY19.



Analytical Approach

For arriving at its ratings, BWR has taken into account *inter alia*, the explicit support provided by Patanjali Ayurved Limited (PAL) to the APPL in the form of corporate guarantee and undertakings to lender. The rating assigned is influenced by this arrangement. Please refer to the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: *Stable*

BWR believes **Atri Papers Pvt. Ltd.**'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 significantly increase its turnover and profitability levels, improve its coverage ratios and working capital management over the medium term. The rating outlook may be revised to 'Negative' if turnover go down and profit margins show lower than expected figures.

About the Company

Atri Papers Private Limited (APPL) was established in the year 2009 and is presently owned by Mr. Ram Bharat (younger brother of Baba Ramdev) & Mrs. Snehlata Bharat (w/o Mr. Ram Bharat). It is engaged in the manufacturing of corrugated boxes and cardboard cartons (packaging material) which it supplies to its two major Patanjali Group companies i.e. "Patanjali Ayurved Limited" and "Divya Pharmacy". The unit is located within the industrial park of Patanjali Group. The unit has a total installed capacity of 22,000 tons per annum and currently operated at a capacity utilization of 43.36% (P.Y. 71.82%) during FY19.

About the Guarantor

Patanjali Ayurved Ltd (PAL) is a flagship company of Patanjali Group and is engaged in the manufacturing & trading of FMCG, herbal & Ayurvedic products. It was established in 2006 and later converted into a public limited company in 2007. It sells its products under the brand name of "PATANJALI"

PAL's major manufacturing units are located in Haridwar along with peas processing unit in Uttarakhand. PAL set up a new unit at Tezpur (Assam) in 2017 with a total investment of Rs. 700 Crs. It also acquired two other units – Rice plant (Haryana) and Dairy plant (Nevasa, MH) with a combined investment of Rs. 175 Crs during 2017. Further, Patanjali Group is in process to establish more units in various states to support its business growth & increase penetration towards newer markets. Majority of the Company's shareholding (98.54%) is held by Acharya Balkrishan (Managing Director)



Company's Financial Performance

Key Parameters	Units	2019	2018
Result Type		Provisional	Audited
Operating Revenue	Rs. Crores	30.94	53.29
EBITDA	Rs. Crores	1.12	4.94
PAT	Rs. Crores	(4.07)	0.29
Tangible Net worth	Rs. Crores	8.49	12.56
Total Debt/Tangible Net worth	in Times	3.08	1.46
Current Ratio	in Times	1.07	1.07

Guarantor's Financial Performance

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	Rs. Crores	8135.65	8964.03
EBITDA	Rs. Crores	732.03	1633.36
PAT	Rs. Crores	342.56	1190.42
Tangible Net worth	Rs. Crores	2521.43	2516.88
Total Debt/Tangible Net worth	in Times	1.12	0.82
Current Ratio	in Times	1.26	1.44

Rating History for the last three years

Sl. No.	Facility	Current Rating (Year 2019)			Rating History		
		Type	Amount (Rs Crs)	Rating	28 March 2018	2017	2016
1	Fund Based Term Loans Cash Credit	Long Term	10.96 10.00	BWR BBB - (SO) (Structure Obligation) (Outlook Stable) (Downgrade)	BWR BBB + (SO) (Structure Obligation) (Outlook Stable)	N.A.	N.A
Total			20.96	INR Twenty Crores and Ninety Six Lakhs Only			



Status of non-cooperation with previous CRA - N.A.

Any other information: Nil

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Structured Obligation Instrument](#)

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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

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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.



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