Rating Rationale

Atri Papers Private Limited (Erstwhile Patanjali Flexipak Pvt. Ltd)

28th March 2018

Brickwork Ratings assigns the rating of BWR BBB + (Structured Obligation) (Stable Outlook) for the bank loan facilities aggregating Rs. 24.00 Crores of Atri Papers Private Limited (APPL or 'the Company').

Particulars

Instrument	Amount (Rs. Crs)	Tenure	Rating *
Fund Based	24.00	**Long Term**	**BWR BBB + (SO)** [BWR Triple B Plus] (Structured Obligation) (Outlook Stable)
Total	**Rs. 24.00 Crores (INR Twenty Four Crores 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 Company's audited financial results upto FY17, publicly available information and clarifications provided by the Company.

The suffix Structured Obligation (SO) to the rating indicates the credit enhancement derived from the close association of the company with Patanjali Ayurved Ltd (PAL), with all their sales going to them (PAL) and corporate guarantee given by Patanjali Ayurved Limited to the lenders for ensuring timely servicing of the rated debt obligations.

The rating, *inter-alia*, factors in the support/commitment of Patanjali Ayurved Limited to APPL, significant increase in installed capacity & production levels of the Company during FY17 and consistent increase in turnover and profitability levels along with comfortable coverage ratios reported during FY17. BWR also takes note of the continuous orders generated from the Patanjali Group and their payment record.

The ratings are, however, constrained by the relatively small scale of operations. Risk profile of Patanjali Ayurved Ltd., also is a key rating sensitivity.

Key Rating Drivers

Credit Strengths

Healthy relationships with the Patanjali Group of Companies: APPL been promoted by Mr. Deepak Poddar, who owns almost 100% equity of the Company. He is a close associate of Baba Ramdev and Acharya Balkrishna, key persons associated with PAL. APPL's units are located within the Industrial Park of Patanjali Group and generate all its turnover from Patanjali Ayurved Limited and Divya Pharmacy.

Capex incurred during FY17: APPL's total installed capacity has increased from 10,000 TPA (tons per annum) to 19,000 TPA, driven by demand from the Patanjali Group. The Company undertook capex as fixed assets increased to Rs. 19.17 Crs (P.Y. Rs. 12.61 Crs) during FY17. Presently, the unit runs at a production level of 14,000 TPA.

Increasing turnover and profitability margins: APPL's turnover increased from Rs. 42.20 Crs to Rs. 59.79 Crs during FY17, driven by continuous demand from the Patanjali Group. It expects to achieve a turnover of above Rs. 60 Crs for FY18. Though PAT declined due to capex incurred, EBITDA margins and PAT margins remain at comfortable levels of 11.82% & 3.28%, respectively in FY17. Further, due to higher EBITDA ISCR and DSCR of the company stood at 4.06 times and 1.92 times, respectively in FY17.

Un-conditional 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 un-conditional and irrevocable corporate guarantee for Atri Paper Pvt. Ltd to the lenders.

Credit Weaknesses

Small scale of operation: The scale of operations remain small, as indicated by total operating income of Rs. 59.79 Crs in FY17 and a tangible networth of Rs. 12.27 Crs as on 31st March 2017. BWR believes the scale expected to remain modest, with total operating income likely to range between Rs. 60 Crs and Rs. 65 Crs in the medium term.

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". However, PAL's demand for packaging is increasing in proportion to their own growth of business, and their payments are also happening on time.

Analytical Approach

Since the Company's operation is highly dependent on Patanjali Group of Companies and has a support in the form of corporate guarantee from Patanjali Ayurved Limited, the rating is influenced by this arrangement. Please refer to the detailed in the Rating Criteria (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 while maintaining its gearing profile, maintain 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 Pvt. Ltd (APPL) was established in the year 2009 and is promoted by Mr. Deepak Poddar. APPL is engaged in the manufacturing of corrugated boxes and cardboard cartons which it supplies to its two major Patanjali Group companies i.e. "Patanjali Ayurved Limited" and "Divya Pharmacy". The manufacturing facility of the Company is located within the Industrial park of Patanjali Group at Hardwar.

Company's Financial Performance

Atri Papers Pvt. Ltd has reported a total operating income of Rs. 59.79 Crs in FY17 as against Rs. 42.20 Crs in FY16. It has reported a net profit of Rs. 1.96 Crs (P.Y. Rs. 3.67 Crs). As on 31st March 2017, it has reported a tangible net worth of Rs. 12.27 Crs (P.Y. Rs. 10.31 Crs).

Key financial indicators are summarized in Annexure I below.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

<table>
<tr><th>Sl. No.</th><th>Facility</th><th colspan="3">Current Rating (Year 2018)</th><th colspan="3">Rating History</th></tr>
<tr><th></th><th></th><th>Type</th><th>Amount (Rs Crs)</th><th>Rating</th><th>2017</th><th>2016</th><th>2015</th></tr>
<tr><td>1</td><td>Fund Based</td><td>Long Term</td><td>24.00</td><td>BWR BBB + (SO) (Structure Obligation) (Outlook Stable)</td><td>N.A.</td><td>N.A.</td><td>N.A</td></tr>
<tr><td colspan="3">Total</td><td>24.00</td><td colspan="4">INR Twenty Four Crores Only</td></tr>
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Hyperlink/Reference to applicable Criteria

- [General Criteria]
- [Approach to Financial Ratios]
- [Structured Obligation (SO) Instruments]
- [Manufacturing Companies]

For any other criteria obtain hyperlinks from website

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Annexure I – Key Financial Indicators of Atri Papers Pvt. Ltd.

Particulars	FY16 (A)	FY17 (A)
Total Operating Income (Rs. Crs)	42.20	59.79
EBITDA (Rs. Crs)	5.83	7.07
PAT (Rs. Crs)	3.67	1.96
Total Tangible Network (Rs. Crs)	10.31	12.27
Total Debt to Equity Ratio (times)	0.89	1.10
ISCR (times)	13.75	4.06

For print and digital media

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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, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

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