## RATING RATIONALE

**13 August 2025**

**Patanjali Ayurved Limited**

**Brickwork Ratings withdraws the long-term and short-term ratings for the bank loan facilities of Rs. 2501.17 Crores and assignment of long term rating & reaffirmation of short term for the bank loan facilities of Rs. 3668.97 Crores for Patanjali Ayurved Limited (PAL or "the Company").**

**Particulars**

| Facilities** | Previous Amt (Rs. Cr) | Present Amt (Rs. Crs) | Tenor | Previous Ratings (28 June, 2024) | Present Ratings |
|---|---|---|---|---|---|
| Fund Based | 1400.00 | **0.00** | Long Term | BWR A/ Outlook Revised to Negative from Stable Removal from ISSUER NOT COOPERATING* category/Downgraded | **Withdrawn** |
| Fund Based | 0.00 | **2505.00** | Long Term | | **BWR A/ Stable Assigned** |
| Fund Based | 1001.17 | **0.00** | Long Term | BWR A2+/ Removal from ISSUER NOT COOPERATING* category/Downgraded | **Withdrawn** |
| ***Total Fund based (A)*** | *2401.17* | ***2505.00*** | | | |
| Non Fund Based | 100.00 | **0.00** | Short Team | BWR A2+/ Removal from ISSUER NOT COOPERATING* category/Downgraded | **Withdrawn** |
| Non Fund Based | 1250.00 | **1163.97 @** | Short Team | | **BWR A2+ Reaffirmed** |
| ***Total Non Fund based (B)*** | *1350.00* | ***1163.97*** | | | |
| **TOTAL (A+B)** | **3751.17** | **3,668.97** | **INR Three Thousand Six Hundred Sixty-Eight Crores & Ninety Seven Lakhs Only.** | | |

#Please refer to BWR website **www.brickworkratings.com/** for definition of the ratings
@ Non Fund based SBLC O/S USD 135.74 Million which is converted to INR based on the SBI letter on June 24, 2025 at a notional rate of INR 85.75/-
*Issuer did not cooperate; based on the best available information
**Details of Bank Loan facilities and NCDs are provided in Annexure I and Annexure II respectively.

**RATING ACTION/OUTLOOK**

Brickwork Ratings (BWR) withdraws the long-term and short-term ratings of BWR A/ Negative & BWR A2+, for bank facilities of Rs. 2501.17 Crores on receipt of the client's request for the withdrawal and based on the No Due Certificate issued by the lenders. The withdrawal ratings are in line with BWR's policy on the withdrawal of its ratings for bank loan facilities, and the relevant documents are held on record.

Brickwork Ratings (BWR) has relied on the audited financial results of FY25, publicly available information, and other information and clarifications submitted by the management of Patanjali Ayurved Limited (PAL or the company) while arriving at the rating.

BWR assigns the fund based rating of BWR A/ Stable outlook for bank loan facilities of Rs. 2505.00 Crs and reaffirmed the short term rating to BWR A2+ for the bank loan facilities of Rs. 1163.97 Crs. The stable outlook reflects expectation of a stable operations and liquidity profile post the successful completion of demerger of its Food business businesses in a slump sale transaction to the listed entity Patanajali Foods limited for a consideration of Rs. 1100.00 Crores in November 2024.

The rating also factors in the established market position with a well-diversified product portfolio, known brand name, and strong operational synergies with Patanjali Foods Ltd and access to its longstanding distribution channel. The profit margins are susceptible to intense competition in FMCG players, high level of debt relative to scale of operations, investment pipeline for diversification into new business lines, high receivables, advances to related parties and exposure to contingent liability constrain the ratings.

**RATING OUTLOOK - STABLE**

The outlook is assigned as stable as the completion slump sale of Non Food Business i.e Home and Personal care segment to associate company Patanjali Foods Limited for Rs. 1100.00 Crores and despite the transfer the likelihood of stable operating income and the profitability from the non-transferred business such as Ayurvedic Medicine & its Trading, Biscuits & confectionery, Pooja Items, Dairy, Rice Trading, Packaging Business.

**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED**

The key covenants are the standard terms as stipulated in the sanction letters of the rated facilities. As per the sanction covenant is 2.32x of TOL /Adj TNW and loans are secured with Pledge of 30% shares of Patanjali Ayurved Ltd and Non-Disposal of 26.00% shareholding in M/s Patanjali Foods Ltd. (Present holding 29.64%).

## KEY RATING DRIVERS

**Credit Strengths-:**

**Established market position, brand ownership & group Synergies :**

The Patanjali Group has an extensive network which includes 84 Super Distributors, 387 Mega Stores, 8,000 Distributors, 1,039 Chikitsalaya, 3,420 Arogya Kendra & Gramin Arogya Kendra, and over 2 million retail touchpoints, in addition to its e-presence. The Patanjali Group demonstrates robust operational and management integration.Patanjali Ayurved Limited (PAL) owns the brand "Patanjali". All the other group companies pay royalty and licence fees to use the brand which enables it to generate regular cash flows. PAL also sources a large portion of its raw and packaging materials from other Group companies, many of which also serve as direct distributors for Patanjali products. These interdependent relationships foster significant operational and financial agility across the Group.

**Moderate Financial risk Profile:**

For the fiscal year 2025, total operating income (TOI) reported Rs. 3780.83 Crores (Non transferred income Rs. 2378.00 Crores) (FY24: Rs. 6420.70 Crores ), a notable 41% decline compared to FY24, primarily attributable to the slump in sales of non-food products. Notwithstanding the reduction in sales, the operating profit margin remained consistent with historical trends, recorded at 9.40% in FY25 (FY24: 9.67%). PAL projects to achieve a TOI of Rs. 2400-2500 Crores in line with FY25 actuals and stagnant operating margin around 9%.

BWR notes that PAL's high debt levels have a fairly long tenor of about 17 years which is likely to be serviced through the royalty and licence fees from group companies which use the brand. The company is anticipated to generate Rs. 150-170 Crores towards 3% of turnover based fees of transferred business to PFL and 3% of royalty ( minimum commitment of Rs. 83 Crores for 20 years ). This together with the cash generated from its own operations enable the company to meet its debt service commitment with ease in the near to medium term.

**Financial flexibility due to Investment portfolio:**

PAL owns 29.64% of the listed entity PFL which at current market price is valued at around Rs. 20,000 Crores and 26% cant be disposed as per the sanction terms, the company can still dilute the remaining 3% of the holding which will yield them around Rs. 2000.00 Crores at current market value. This provides reasonable financial flexibility to meet any near term cash flow mismatches.

**Credit Risks-:**

**High receivables, and advances:**

The company has high receivables on account of slump sale transfer and pending reconciliation, since the majority of the customers are Patanjali group entities. The undisputed receivables more than 6 months are Rs. 1715 Crs in FY25 (FY24: Rs. 1428 Crs ). PAL has paid advances for purchase of trading material for bulk trading activities to various related / non related parties as vendor advances of Rs. 2067.40 in FY25 (FY24: Rs. 1820 Crs) to be recovered in FY26 and further utilized for the investment in associates companies.

**Future investments strategy:**
The company is in the process of acquiring a controlling stake in magma general insurances which entails a commitment of Rs. 3033 Crores (Already invested Rs. 276.00 Crores) once necessary approvals are received by IRDAI (Insurance Regulatory and Development Authority). Further, it plans to invest Rs. 1851.00 Crores in its overseas entities to capture global markets. The company expects to fund these through realisation of its receivables and advances post the reconciliation process. The recovery of receivables and advances are therefore key to its diversification plans and will remain monitorable. Any debt funded investments might impact the credit profile.

**Risk associated with the ongoing litigations & Corporate Governance Risk:**
PAL faces ongoing litigation risks due to legal proceedings involving the Patanjali Group's key management personnel and several cases. While these litigations haven't materially impacted the company's operations yet, they pose a continuous risk, and any negative developments could harm the Patanjali brand. The lack of transparency especially in related-party transactions (e.g., Patanjali Ayurved and Patanjali Foods Ltd, & other group companies), poses a significant corporate governance risk.

**Increased Exposure to Contingent Liabilities:**
As of 31 March 2025, the company has contingent liabilities of Rs. 491.35 Crs (PY: Rs. 128.20 Crs ), which includes legal matters of Rs. 92.41 Crs and rest sales tax/CST /Income tax liability. The company has also given a guarantee of Rs. 1572.82 Crs (P.Y Rs. 1516.62 Crs) on behalf of Patanjali Yogpeeth Trust for loans taken from banks/financial institutions and for the SBLC of Rs. 1283.72 Crs (Rs. 1163.97 Crores as on 24th June 2025) on behalf of Foreign subsidiary Patanjali International General Trading FZE Dubai for the loan taken from the Bank of USD 146.24 Million. (USD 135.74 Million as on 24th June 2025).

**Intense competition from other FMCG players:**
The company continues to face intense competition from other large FMCG players in the market such as Himalaya, Imami, Marico, Parle etc. The FMCG sector has significantly large and established players that not only have a well-stacked traditional product portfolio but are also entering the natural space backed by their much larger and deeper distribution network and financial strength. The company's volume growth, pricing power, and profitability may be impacted by the entrenched competition.

**ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**
BWR has factored in the standalone business parameters and financial risk profile of the company to arrive at the rating. Reference may be made to the detailed Rating Criteria hyperlinked below (hyperlinks provided at the end of this rationale).

## RATING SENSITIVITIES

**Upward:** The ratings may be upgraded in case of a significant improvement in the company's operations and operating margins above 10%, timely recovery of the advances and receivables for more than 6 months.
**Downward:** The rating may be downgraded if credit metrics weaken due to a sustained decline in profitability or increased debt. Additionally, a negative change in investment valuation leading to lower gain than expected or a delay/decrease in royalty or dividend income receipts would pose further risk to the ratings. The rating will be negative if the investments in associates and allied firms are more than Rs. 6076.00 Crores as per the sanction terms.

## LIQUIDITY INDICATORS - ADEQUATE

PAL demonstrates adequate liquidity. The Cash and cash equivalent as at 31 March 2025 stood at Rs. 132.29 crore (FY24: Rs. 49.27 Crores). Additionally, net cash accruals to be generated from operations in FY26 is expected to be around Rs. 912.00 , against this the company has a repayment commitment of Rs. 34-44 Crores towards term debt instalment. Further, the company has a working capital facility of Rs. 150 Crores with undisbursed limits of Rs. 95 Crores. Further, unencumbered traded investment in the form of PFL shares of ~3% ( valued at Rs. 2000 Crores as per current market price) provide financial flexibility to the company.

## COMPANY's PROFILE

| Macro Economic Indicator | Sector | Industry | Basic Industry |
|---|---|---|---|
| Fast Moving Consumer Goods | Fast Moving Consumer Goods | Diversified | Diversified |

Patanjali Ayurved Limited (PAL) is a flagship company of Patanjali Group, established in 2006, and is engaged in the manufacturing & trading of FMCG, herbal & Ayurvedic products. It sells its products under its brand name "PATANJALI". A majority (98.54%) of the Company's shareholding is held by Acharya Balkrishna (Managing Director).

The present business operation includes Ayurvedic Products & its trading, Rice Trading, Biscuits & confectionery (one unit), Dairy, Packaging, Pooja Items. Ayurvedic products comprise Vati, Tablets, Syrup, Eye drops, Churan, and other pharmaceutical products.

## KEY FINANCIAL INDICATORS

| Key Financial Indicators | Units | FY23 (Audited) | FY24 (Audited) | FY25 (Audited) |
|---|---|---|---|---|
| Operating Revenue | Rs. Crs | 7526.39 | 6420.7 | 3780.83 |
| EBITDA | Rs. Crs | 697.47 | 620.7 | 348.22 |
| PAT | Rs. Crs | 356.73 | 2820.38 | 2132.67 |
| Total Debt | Rs. Crs | 3137.04 | 2932.97 | 1491.54 |
| Tangible Net Worth | Rs. Crs | 7035.06 | 7374.92 | 9510.30 |
| Total Debt/TNW | Times | 0.45 | 0.40 | 0.16 |
| Current Ratio | Times | 2.13 | 2.05 | 6.63 |

## COMPLEXITY LEVELS OF THE INSTRUMENTS - Simple

The BWR complexity levels are available at www.brickworkratings.com / download / ComplexityLevels.pdf.

**NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY:** The company has no outstanding ratings under non-cooperation from any other CRA.

## RATING HISTORY FOR THE PREVIOUS THREE YEARS [including Withdrawal & Suspended]

| S.No | Instrument /Facility | Type (Long Term/ Short Term) | Amount (Rs. Crs) | Current Rating | Rating History | | |
|---|---|---|---|---|---|---|---|
| | | | | 2025 | 28 June 2024 | 31 October 2023 | 29 September 2022 |
| 1 | BLR<br>FB | Long Term | 0.00<br><br>2505.00 | Withdrawn (Rs. 1400.00 Crores)<br><br>BWR A/Stable Assigned | BWR A/ Negative Removal from ISSUER NOT COOPERATING* category/ Downgraded | BWR AA-/Stable Issuer Not Cooperating*/ Reaffirmed | BWR AA-/Stable Reaffirmed |
| 2 | BLR<br>FB<br><br>BLR<br>NFB<br><br>BLR | Short Term | 0.00<br><br>0.00<br><br>1163.97@ | Withdrawn (Rs. 1001.17 Crores)<br><br>Withdrawn (Rs. 100.00 Crores) | BWR A2+/ Removal from ISSUER NOT COOPERATING* category/ Downgraded | BWR A1+/ Issuer Not Cooperating*/ Reaffirmed | BWR A1+/ Reaffirmed |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | NFB | | | BWR A2+ Reaffirmed | | | |
| 3 | NCD (Rs. 175 Crs) | Long Term | - | - | Withdrawal on Full Redemption | BWR AA/Stable (CE) Issuer Not Cooperating*/ Reaffirmed | BWR AA/Stable (CE) Reaffirmed |
| 4 | Proposed NCD (Rs. 300 Crs) | - | - | - | - | - | Withdrawn on account of non-issuance |
| 5 | NCD (Rs. 250 Crs) | Long Term | - | - | - | Withdrawal on Full Redemption | BWR AA-/Stable Reaffirmation |
| 6 | Proposed CP (Rs. 200 Crs) | - | - | - | - | - | Withdrawn on account of non-issuance |
| | **Total** | | **3668.97** | **-** | **INR Three Thousand Six Hundred Sixty-Eight Crores & Ninety Seven Lakhs Only.** | | |

@ Non Fund based SBLC O/S USD 135.74 Million which is converted to INR based on the SBI letter on June 24, 2025 at a notional rate of INR 85.75/-
*Issuer did not cooperate; based on the best available information

## Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Short Term Rating
- Manufacturing Companies
- Policy on Issuer Non-Cooperation
- Policy on Rating Withdrawal


| Analytical Contacts | |
|---|---|
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## ANNEXURE- I
## Details of Bank Loans Rated by BWR

Rs. in Crore

| Name of Bank | Type of Facility | Long Term | Short Term | Total | Complexity |
|---|---|---|---|---|---|
| **Fund Based Long Term** | | | | | |
| State Bank of India | Cash Credit | 0.00 | 0.00 | 0.00 | Simple |
| State Bank of India | Vendor Finance | 0.00 | 0.00 | 0.00 | Simple |
| Bank of India | Cash Credit | 0.00 | 0.00 | 0.00 | Simple |
| Canara Bank (Former Syndicate Bank) | Cash Credit | 0.00 | 0.00 | 0.00 | Simple |
| Bank of Maharashtra | Cash Credit | 0.00 | 0.00 | 0.00 | Simple |
| Punjab National Bank | Cash Credit | 0.00 | 0.00 | 0.00 | Simple |
| Punjab National Bank | Cash Credit | 55.00 | 0.00 | 55.00 | Simple |
| Indian Bank | Cash Credit (Sub Limit-WCDL) | 45.00 | 0.00 | 45.00 | Simple |
| Indian Overseas Bank | Cash Credit | 50.00 | 0.00 | 50.00 | Simple |
| Punjab National Bank | Term Loan-Business | 1000.00 | 0.00 | 1000.00 | Simple |
| Indian Overseas Bank | Term Loan-Business | 500.00 | 0.00 | 500.00 | Simple |
| Punjab National Bank | Corporate residential housing scheme- TL | 152.00 | 0.00 | 152.00 | Simple |
| Punjab & Sind Bank | Term Loan-Business | 150.00 | 0.00 | 150.00 | Simple |
| Indian Bank | Term Loan-Business | 153.00 | 0.00 | 153.00 | Simple |
| Indian Bank | Term Loan-Business | 400.00 | 0.00 | 400.00 | Simple |
| **Total FBLT (A)** | | **2505.00** | **0.00** | **2505.00** | |
| **Fund Based Short Term** | | | | | |
| Punjab National Bank | STL (Proposed) | 0.00 | 0.00 | 0.00 | Simple |
| State Bank of India | STL | 0.00 | 0.00 | 0.00 | Simple |
| State Bank of India | Corporate TL | 0.00 | 0.00 | 0.00 | Simple |
| Bank of Maharashtra | STL | 0.00 | 0.00 | 0.00 | Simple |
| **Total FBST (B)** | | **0.00** | **0.00** | **0.00** | |
| **Non Fund based Short** | | | | | |

| Term | | | | | |
|---|---|---|---|---|---|
| State Bank of India | SBLC | 0.00 | 1163.97 | 1163.97 | Simple |
| Punjab National Bank | BG/LC | 0.00 | 0.00 | 0.00 | Simple |
| **Total NFB ST (C)** | | **0.00** | **1163.97** | **1163.97** | Simple |
| **TOTAL Bank loan facilities (A+B+C)** | | **2505.00** | **1163.97** | **3,668.97** | |

**Total INR Three Thousand Six Hundred Sixty-Eight Crores & Ninety Seven Lakhs Only.**

## ANNEXURE- II

## Instrument (NCD) Details

| Sl. No. | Instrument | ISIN | Issued Amount (₹ Cr) | Outstanding Amount | Date of Issue | Date of redemption | Coupon Rate | Remarks |
|---|---|---|---|---|---|---|---|---|
| | | | | NA | | | | |

## Annexure - III

## List of Consolidated Entities - NIL

**For print and digital media** The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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