CREDIT UPDATE

Acquisition of Ruchi Soya Industries credit neutral for Patanjali Ayurved Ltd.

Brickwork Ratings (BWR), 19 December 2019, Mumbai: Patanjali Ayurved Group has announced acquisition of Ruchi Soya Industries Ltd (BWR unrated) by Patanjali Consortium Adhigrahan Pvt Ltd (PCAPL) (BWR unrated) a wholly owned subsidiary of Patanjali Ayurved Ltd (PAL) (BWR AA-, Outlook Negative). This acquisition is funded by debt of INR 33 billion from a consortium of banks and with funds infusion of ~ INR 10 billion from the promoter PAL.

While taking note of the amount PAL has invested against their networth of INR 28.70 billion (as on 31 March 2019), and the provisional debt of INR 20.80 billion as of H1FY20, BWR is of the view that this event will be credit neutral for PAL, though the consolidated debt will go up.

BWR understands from PAL that it has not given any corporate guarantee to the lenders of PCAPL for the acquisition.

However, PAL currently has many initiatives within the Group which are currently under various stages of implementation, and hence achieving commercial production in such projects as per planned time-lines will be a key monitorable. Another aspect that needs a close look would be the further financial support needed to bring Ruchi Soya to normal production level and the time-line.

BWR will continue to monitor the developments and will issue a rating advisory if necessary at an appropriate time.

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BWR Rating criteria is available at https://www.brickworkratings.com/ratingscriteria.aspx

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