Rating Rationale

Arihant Prakashan

30 NOV 2018

Brickwork Ratings reaffirms rating for the long term bank loan facilities of Arihant Prakashan

Particulars :

Facility Rated	Previous Review Amount (Rs. Crs)	Current Review Amount (Rs. Crs)	Tenure	Previous Rating	*Current Rating Assigned
Fund Based CC	22.50	30.00	Long Term	BWR BB+ (Pronounced as BWR Double B plus) Outlook : Stable	**BWR BB+** (Pronounced as BWR Double B Plus) **Outlook : Stable** **Reaffirmed**
Total	22.50	**Rs 30.00 Cr (Rupees Thirty Crores Only)**			

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

BWR has reaffirmed Long Term rating at BWR BB+ (Outlook: Stable) for loan facilities of Arihant Prakashan.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

While reviewing the rating of *Arihant Prakashan* (AP or 'the firm), BWR has factored in consistent growth in revenues over the last few years, comfortable current ratio at 1.45x in FY18, and improved operating profit margins upto 4.15% in FY18. The rating is, however, constrained by stretched cash conversion cycle at 134 days and deteriorated gearing (TOL/TNW ratio) of the firm at 3.37x in FY18 , besides the constitution of the firm being a proprietorship.

Credit Strengths :

- **Improved Turnover :** Top line of the firm has improved from Rs 137.92 Cr in FY17 to

Rs 147.47 Cr in FY18 and PAT has improved from Rs 1.41 Cr in FY17 to Rs 1.50 Cr in FY18.

- **Current Ratio** : The firm has moderate ability to repay its current debt obligations from current assets, indicated by comfortable current ratio at 1.45x in FY18,
- **Profit Margin :** Net profit margin is stagnant at 1.02% in FY17; however operating profit margin has improved from 4.08% in FY17 to 4.15% in FY18

Credit Concerns:

- **Conversion cycle** : Cash operating cycle has deteriorated from 104 days in FY17 to 134 days in FY18, mainly due to increased inventory days from 75 days in FY17 to 83 days in FY18.
- **Solvency Position :** Gearing (TOL/TNW ratio) of the firm deteriorated from 2.93x in FY17 to 3.37x in FY18 owing to increase in debt obligations.
- **Constitution of firm :** Being a proprietorship firm, it is exposed to inherent risk of the proprietor's capital being withdrawn at a time of personal exigencies, besides risk of dissolution and restricted avenues to raise capital, which could prove a hindrance to its growth.

Liquidity :

Liquidity of the firm is supported by the cash and cash equivalents of Rs 2.63 Cr in FY18. The firm has cash accruals of Rs 1.62 Cr (DEP+PAT) in FY18. In addition, the firm has ISCR of 1.36x and current ratio of 1.45x in FY18, indicating reasonable ability of the firm to meet its debt liabilities. The firm has no long term debt and is using only working capital loans from banks to meeting its requirements.

Going forward, managing its working capital efficiently, improving cash conversion cycle and gearing (TOL/TNW ratio) would remain the key sensitive parameters, apart from improvement in scale of operations.

Analytical Approach:

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 Rating Criteria hyperlinked below.

Rating Outlook: Stable

BWR believes the *Arihant Prakashan'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 revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Arihant Prakashan is a proprietorship firm started in 1997, at Meerut, Uttar Pradesh. Ms. Beena Jain is the proprietor of the firm. The firm is engaged in wholesale and retail sales of books for school / college curriculum and competitive and entrance examinations of various kinds, which are published by its parent company, Arihant Publications Pvt. Ltd.

Company's Financial Performance

Particulars	Units	FY2017 (Audited)	FY2018 (Audited)
Net Sales/Revenue	Rs. Crores	**137.92**	**147.47**
EBIDTA	Rs. Crores	**5.63**	**6.11**
PAT	Rs. Crores	**1.41**	**1.50**
Tangible Networth	Rs. Crores	**11.98**	**13.38**
TOL : TNW Ratio	Times	**2.93**	**3.37**
Current Ratio	Times	**1.49**	**1.45**

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

S.No.	Instrument/ Facility	Current Rating (2018)			Rating History		
		Type	Amount (Rs Crs)	Rating	2017	2016	2015
1.	**CC**	Long Term	30.00	**BWR BB+** Outlook : Stable	**BWR BB+** Outlook : Stable	**BWR BB** Outlook : Stable	NA
	Total	**Rs 30.00 Cr (INR Thirty Crores Only)**					

Status of non-cooperation with previous CRA (if applicable) – NA
Any other information - NIL

Hyperlink/Reference to applicable Criteria

- [General Criteria]
- [Approach to Financial Ratios]
- [Trading Entities]

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Note on complexity levels of the rated instrument:
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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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