

## Rating Rationale

### Brickwork Ratings reaffirms 'BWR BB' for the Bank Loan Facilities aggregating ₹22.50 Cr of Arihant Prakashan

Brickwork Ratings assigns the following **Rating<sup>1</sup>** for the bank loan facilities of **Arihant Prakashan**. (*Proprietorship Firm*):

Facility	Previous Amount	Rated Amount	Tenor	Previous Rating	Present Rating
Cash Credit	18.50	<b>22.50#</b>	<b>Long Term</b>	BWR BB (Pronounced Double B) Outlook:Stable	<b>BWR BB (Pronounced Double B) Outlook:Stable Reaffirmed</b>
CC (Book Debts)	(4.50)	<b>(4.50)</b>			
Cheque Purchase	(0.50)	<b>(0.50)</b>			
Total	18.50	<b>22.50</b>	<b>INR Twenty Two Crores and Fifty Lakhs Only</b>		

#Rating was carried out for amount of Rs. 22.50 Cr., being the sanctioned Cash Credit Limit

\*\*Firm has also availed adhoc limit of Rs. 3 Crs from the bank

BWR has principally relied upon the audited results up to FY15, provisional data for FY16, publically available information and information/ clarifications provided by the firm's management.

The rating continues to draw comfort from extensive experience of the promoters as well as from the parent company (Arihant Publications Pvt. Ltd.) engaged in the publishing and printing of books. The rating also derives strength from Y-O-Y revenue growth of the firm and capital infusion in FY16. However, the Rating is constrained by the fact that a sizeable portion of the net worth of the firm has been invested in the parent company. The rating is further constrained by parameters like low profit margins and high working capital cycle.

#### Background:

Arihant Prakashan is a proprietorship firm started in 1997, in Meerut, Uttar Pradesh. Ms. Beena Jain is the proprietor of the firm. The firm is engaged in whole sale and retail sales of books of various kinds like IIT JEE entrance exam books, engineering entrance exam books, medical entrance exam books and other competitive exam books like IAS, Bank PO, GATE, IES, amongst others, published by Arihant Publications India Ltd.

#### Financial Performance:

On the basis of FY16 provisional financial data provided by the management, net revenue from operations of the firm has been increased from ₹80.10 Crores in FY15 to ₹109.05 Crores in FY16, resulting in substantial increase in top line by ~36.14%. Net worth of the firm was at ₹10.26 Cr, with an overall gearing of 3.00x. The operating profit margin and net profit margin stood at 3.96% and 0.90% respectively for FY16.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

### Rating Outlook:

Rating Outlook is expected to remain stable over the next 12 months. Going forward, the ability of the firm to improve its profitability margins and improve its capital structure and efficient management of working capital will remain the key rating sensitivities.

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