



Rating Rationale

Arihant Publications India Limited

16 April 2018

Brickwork Ratings upgrades rating for the long term bank loan facilities of Arihant Publications India Limited

Particulars

Facility Rated	Previous Review Amount (Rs. Crs)	Current Review Amount (Rs. Crs)	Tenure	Previous Rating	*Current Rating Assigned
Fund Based CC	40.00	40.00	Long Term	BWR BB+ (Pronounced as BWR Double B plus) Outlook : Stable	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook : Stable Upgraded
Fund Based Term Loan(o/s)	8.36	5.47			
Total	48.36	Rs 45.47 Cr (INR Forty Five Crores and Forty Seven Lakh Only)			

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

BWR has upgraded Long Term rating to BWR BBB- (Outlook: Stable) for loan facilities of Arihant Publications India Limited.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

While reviewing the rating of *Arihant Publications India Limited* (APIL or 'the Company'), BWR has factored in the promoters' business experience in the publishing industry, established brand name in northern India, y-o-y growth in turnover, infusion of fresh equity capital, and ability to service interest and debt obligations. The ratings are, however, constrained by low profit margins besides high gearing ratios.

Key Rating Strengths

- Operating revenues have improved from Rs 259.66 crore in FY16 to Rs 271.73 crore in FY17. As per provisional data furnished for FY18, the Company has achieved a turnover of 275 Cr

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with PAT of Rs. 1.74 Cr, an improvement over the PAT of Rs. 1.18 Cr in FY17.

- Tangible Net Worth has increased from Rs 18.06 crore in FY-16 to Rs 20.77 crore in FY17, and is likely to further improve to Rs 24 Cr in FY18, taking into account infusion of fresh equity by the promoters.
- The Company has approximately 2400 titles of which approximately 1800 titles are active. The Company has also opened R&D centres in Jaipur and Delhi to cater to new avenues of business. The Company also proposes to market its titles online through its own website.
- Net profit margins have declined from 0.64% in FY16 to 0.43% in FY17. Gearing ratios are high at 5.39x in FY17 owing to dependence on unsecured borrowings to fund working capital requirements. Gearing ratio is expected to improve in FY18 with the infusion of fresh equity capital. Debt protection metrics viz. ISCR is comfortable at 1.80x in FY17.
- Arihant Brand is a well known and established brand in northern India for students appearing in competitive examinations. The Company is also exploring opportunities for publishing school and college textbooks as it has got ample capacity for printing of books. Its group company, Arihant Prakashan also provides synergy to the company.

Key Rating Weaknesses

- Owing to competitive nature of business, high requirement of working capital together with high interest costs, net profit margins are low and overall all gearing very high. However, the promoters are trying to mitigate the same by reducing reliance on borrowed funds by infusing equity capital.

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 Publications India Private Limited'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 Publications India Limited was incorporated in 2005 in Meerut. The Company was converted into a closely held public limited company in the year 2011 and renamed Arihant Publications India Limited (APIL). APIL is a part of Arihant group which was established in 1997 by Mr Yogesh Jain, and includes other entities under Arihant Group i.e. Arihant Prakashan, Arihant Media Promoters, Arihant Edu Web Pvt. Ltd. and Arihant Print Solutions. The group is engaged in publishing books for IIT, JEE, Polytechnic, CBSE and the group has over 1800 active titles related to IAS, PCS, NDA, CDS, CAT, MAT, Bank PO,



GATE, Board Exams and other general reading books and a pan India network.

Company's Financial Performance

Particulars	Units	FY2017 (Audited)	FY2018 (Provisional)
Net Sales/Revenue	Rs. Crores	271.73	275.00
EBIDTA	Rs. Crores	13.68	13.42
PAT	Rs. Crores	1.18	1.74
Tangible Networth	Rs. Crores	20.77	24.09
TOL : TNW Ratio	Times	5.39	3.94
Current Ratio	Times	1.10	1.21

Top line has improved from Rs 259.66 crore in FY16 to Rs 271.73 crore in FY17. As per provisional data for FY18, the Company has achieved turnover of 275Cr and PAT has improved from 1.18 Cr in FY17 to 1.74 Cr in FY18(provisional).

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	40.00	BWR BBB- Outlook : Stable	BWR BB+ Outlook : Stable	BWR BB+ Outlook : Stable	BWR BB+ Outlook : Stable
2	Term Loan(o/s)		5.47				
	Total	Rs 45.47 Cr (INR Forty Five Crores and Forty Seven Lakh 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](#)
- [Manufacturing Companies](#)

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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

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.