Rating Rationale

Arihant Publications India Limited

30 NOV 2018

Brickwork Ratings reaffirmed 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 BBB- (Pronounced as BWR Triple B Minus) Outlook : Stable	**BWR BBB-** (Pronounced as BWR Triple B Minus) **Outlook : Stable** **Reaffirmed**
Fund Based **Term Loan(o/s)**	5.47	2.86			
Total	45.47	**Rs 42.86 Cr (Rupees Forty Two Crores and Eighty Six Lakh Only)**			

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

BWR has reaffirmed Long Term rating at 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, consistent improvement in scale of operations, improved financials; improved net profit margin, and moderate debt protection metrics i.e ISCR of 2.00x and DSCR of 1.30x in FY18, improved current ratio at 1.24x and cash conversion cycle at 61 days in FY18.

The rating is, however, constrained by low net profit margins besides high gearing ratios due to high working capital requirement combine with high utilization of limits resulted in high interest and low net worth as compared to the debt obligations in FY18.

Key Rating Strengths

- **Experienced Promoters :** The Company is a family managed business headed by Reetesh Jain, Deepesh Jain and Parvesh Jain having experience of more a decades in book publishing line of business.
- Arihant Brand is a well known and established brand in northern India for students appearing in competitive examinations. The Company has ample capacity for printing of books in case of expansion and currently it 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 sells online through its own website.
- **Scale of operation :** Top line of the Company is consistently growing over the years. Total operating income has improved from Rs 271.73 Cr in FY17 to Rs 281.99 Cr in FY18 audit and PAT has improved from Rs 1.18 Cr in FY17 to Rs 1.84 Cr in FY18.
- **Improved net profit margin and Moderate debt protection metrics :** The Company's ability to pay its interest payments has improved in FY18, indicated by improved ISCR from 1.80x in FY17 to 2.00x in FY18. Net profit margins of the company has improved from 0.43% in FY17 to 0.65% in FY18.
- **Improved Current Ratio and Operating Cycle :** Current ratio of the company has improved from 1.06X in FY17 and 1.24X in FY18. Cash Conversion cycle has improved from 80 days to 61 days in FY18 due to improved in receivable days and inventory days in FY18.

Key Rating Weaknesses

- **Leverage Position :** Gearing (TOL/TNW ratio) of the Company is high owing to competitive nature of business, high requirement of working capital, owing to the need to maintain high inventory levels, coupled with high interest costs. However gearing of the company has improved from 5.39x in FY17 to 4.69x in FY18.

Liquidity :

Liquidity of the company is supported by the cash and cash equivalents, improved from Rs 7.65 Cr to Rs 18.01 Cr in FY18. In addition, the Company has ISCR of 2.00x and current ratio of 1.24x in FY18. The Company has outstanding term loans of Rs 2.86 Cr and as per FY18 company had cash accruals of Rs 6.2 Cr(PAT+DEP) in FY18; sufficient for the repayment of existed principal obligations of term loans. Going forward, management of working capital efficiently, improving net profit margins, bring down the gearing(TOL/TNW ratio) as per industry standards would remain the key sensitive parameters.

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 2004 with its registered address at 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 (Audited)**
Net Sales/Revenue	Rs. Crores	**271.73**	**281.99**
EBIDTA	Rs. Crores	**13.68**	**13.46**
PAT	Rs. Crores	**1.18**	**1.84**
Tangible Networth	Rs. Crores	**20.77**	**24.02**
TOL : TNW Ratio	Times	**5.39**	**4.69**
Current Ratio	Times	**1.06**	**1.24**

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

S.No.	Instrument/ Facility	Current Rating (Nov 2018)			Rating History		
		Type	**Amount (Rs Crs)**	**Rating**	**Apr 2018**	**2017**	**2016**
1.	**CC**	Long Term	40.00	**BWR BBB-** (Pronounced as BWR Triple B Minus) **Outlook : Stable**	**BWR BBB-** Outlook : Stable	**BWR BB+** Outlook : Stable	**BWR BB+** Outlook : Stable
2	**Term Loan(o/s)**		2.86				
	Total	**Rs 42.86 Cr (Rupees Forty Two Crores and Eighty Six 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**

Analysts	**Media**
Mr. Ashwini Mital Sr. G. M. analyst@brickworkratings.com	media@brickworkratings.com **Relationship Contact** bd@brickworkratings.com
Phone: 1-860-425-2742	

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, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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.