

Rating Rationale

Brickwork Ratings reaffirms ratings 'BWR BB+' for the Bank Loan Facilities aggregating to ₹ 45.75 Cr of Arihant Publications India Ltd.

Brickwork Ratings has reaffirmed following **Ratings**¹ for the bank loan facilities of Arihant Publications India Ltd. (APIL or the 'Company') as under :-

Facility	Previous Limits (₹ Cr)	Present Limits (₹ Cr)	Tenure	Present Rating [^]	Rating History
Fund based					
CC	20.00	35.00	Long term	BWR BB+ (BWR Double B Plus) (Outlook :Stable)	BWR BB+ (BWR Double B Plus)
Term Loan (O/S)	13.50	10.75		(Reaffirmed)	(Outlook:Stable)
Total	33.50	45.75	(INR Forty Five Crore and Seventy Five Lakh Only)		

BWR has principally relied upon the audited financial results of Arihant Publications India Ltd. upto FY16, information/clarifications provided by the company and other publicly available information.

The assigned ratings derive comfort from the experienced promoters of company in the same line of business, significant growth in top line and improvement in profit margins, besides low collection period for trade receivables. However, the ratings, are constrained by low profit margins, high inventory levels, deterioration in cash conversion cycle, high gearing and presence in a highly competitive market which could adversely impact profit margins.

Background:

Arihant Publications India Private Limited (APIL) was incorporated in 2005 at Meerut. The company was converted into a closely held Public limited company in the year 2011 and renamed Arihant Publications India Limited (APIL). It has over 1600 active titles related to IAS, PCS, NDA, CDS, CAT, MAT, Bank PO, GATE, Board Exams and other general reading books. APIL is a part of Arihant group which was established in 1997 by Mr Yogesh Jain. Other entities under Arihant Group include 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 and a PAN India network.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Financial Performance:

As per the audited financials of APIL for FY16, top line of the company increased from Rs. 227.69 Crs in FY15 to Rs. 259.66 Crs in FY16 and achieved its projected revenues. PAT for the company increased to Rs 1.65 Crs in FY16 against Rs. 1.02 Crs in FY15. Operating profit margin and net profit margin for the company stood at 4.68% and 0.64% respectively in FY16. TOL/TNW ratio is 4.68 times as on 31st March 2016.

Net worth is Rs 18.06 Crs against the total debt of Rs 69.97 Crs in FY16 and as per company advices, operating revenue for 7MFY17 is Rs 197.69 crore.

Rating Outlook:

The rating outlook is expected to be stable over the current year. Going forward, the ability of the company to improve its profit margins significantly, bring down the gearing to industry standards, optimise inventory management, efficiently manage its working capital besides augment its capital structure would remain the key sensitivities.

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