

Rating Rationale

Brickwork Ratings Reaffirms ratings at 'BWR A' & 'BWR A1' for the Bank Loan Facilities of Arise India Ltd aggregating ₹425 Cr (enhanced from ₹ 325 Cr)

Brickwork Ratings has *reaffirmed Ratings*¹ for the Bank Loan Facilities of Arise India Ltd (Arise or "the Company") as follows:

Facility*	Previous Amount (₹ Cr)	Rating Amount (₹ Cr)	Tenure	Rating	Rating History
Fund Based: Cash Credit	315.00	415.00	Long Term	BWR A (Pronounced as BWR Single A) Outlook: Stable (Reaffirmation)	BWR A (Pronounced as BWR Single A) Outlook: Stable (February 2015)
Non-Fund Based: LC	10.00	10.00	Short Term	BWR A1 (Pronounced as BWR A One) (Reaffirmation)	BWR A1 (Pronounced as BWR A One) (February 2015)
Total	325.00	425.00	INR Four Hundred Twenty Five Crores only		

BWR has principally relied upon the audited financial results up to FY15, projected financial results up to FY17 of the company, publicly available information and information/clarifications provided by the company

The rating continues to draw strength from the reputed and experienced management, established track record of the company and brand recall in North India, improved operational and financial performance, strong network of branches and dealers and above average financial risk profile. The rating, however, continues to remain constrained by the working capital intensive nature of operations and stiff competition from established players in the various segments in which the company operates.

Background:

Arise India Limited (Arise) was originally incorporated on 24 Jul 1995, as "Starlite Co-Tex Limited". In 1999, Starlite was acquired by Mr. Avinash Jain & the name was changed to Arise India Limited. Arise manufactures mono-block water pumps, submersible pumps & batteries. It also sells electric items such as water geysers, fans, inverters & water purifiers, under its brand name 'Arise'. The company has its manufacturing units in Sonapat (Haryana) & Kala Amb (Himachal Pradesh).

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

The Company has been awarded ISO 9001- 2008 certification by BSI London. In a bid to deepen its presence, the company has undertaken a string of initiatives, including augmenting their water pumps capacity, launching sine wave home UPS solutions range, introducing ABS-body water heaters, foraying into solar inverters and offering Android experience in LED TV's.

The Company also trades in Solar Products, UPS, Inverters, Home Appliances, Kitchen Appliances, Mobile Devices, LED Lighting systems etc. Arise has a strong network of branches & dealerships, mainly in India. In addition to the 390 branch offices, the company has over 3460 distributors and 80000 dealers across the country.

Ownership & Management:

The current shareholding of the company is as follows: Mr. Avinash Jain – 46.88%, Mr. N. C. Jain – 25.09%, Mrs. Anju Jain – 22.53% and Family & Friends – 5.50%

Mr. Avinash Jain is the Managing Director of the company. Mrs. Anju Jain and Mr. N. C. Jain are other directors on the board. All the directors are well experienced and are also assisted by a team of qualified professionals.

Financial-Performance:

Arise recorded Operating Income of Rs.1564.79 Cr for FY15 as compared to Rs.1259.53 Cr for FY14. Major revenue of the company comes from the water pump division followed by the battery division. EBITDA and Net Profit Margins were, more or less, stable at 9.29% and 4.08% respectively in FY15. Tangible Net Worth of the company increased from Rs.228.66 Cr as on March 31, 2014 to Rs.317.61 Cr as on March 31, 2015, on account of retention of profits, besides infusion of additional capital of Rs.0.50 Cr with premium of Rs.24.50 Cr. The company has no long term debt, and its borrowings are essentially for working capital purposes. SBI is the lead bank of the consortium. On a provisional basis, the company reported an Operating Income of Rs.1016.62 Cr for H1 FY16.

Rating-Outlook:

The rating outlook is expected to be stable for the current year. Going forward, ability to the Company to invest in promoting its brand, and meet projected revenue and profitability levels and effectively manage its working capital would be the key monitorables.

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