



## Rating Rationale

**Jyoti Book Depot Private Limited**

**4 Dec 2018**

**Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 5.40 Crores of Jyoti Book Depot Private Limited(JBDPL)**

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### Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund Based	5.40	Long Term	<b>BWR BB</b> [Pronounced as BWR Double B]  Outlook: Stable
<b>Total</b>	<b>5.40</b>	<b>INR Five Crores and Forty Lakhs Only</b>	

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings  
Complete details of Bank facilities is provided in Annexure-I

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results up to FY18, publicly available information and information/clarifications provided by the firm's management.

The rating has factored, inter alia, long existence of the company in book publishing business, low gearing, strong debt protection metrics, low utilization of working capital and catering a wide range in the educational sector.

However, the rating is constrained by low scale of operations, intense competition and seasonal nature of business.



Going forward, ability of the company to increase its scale of operations, to improve its profitability margins, to increase its net worth and to service its debt obligations on time would be the key rating sensitivities of the company.

#### **Description of Key Rating Drivers:**

- **Credit Strengths:**

**Long existence in the business:-** JBDPL was established in 1998. Thus, it has been in existence for about 2 decades and has developed strong relationship with its customers and suppliers .

**Low gearing ratios:-** The gearing ratio remains low indicated by total debt/TNW ratio of around 0.83 times in FY18 against 0.73 times in FY17.

**Strong debt protection metrics :-** The debt protection metrics remain strong indicated by ISCR of around 4.88 times and DSCR of 1.63 times in FY18 against 4.46 times and 1.62 times respectively in FY17.

**Low utilization of working capital:-** The average utilization of working capital is around 30%, while it rose to 50% in the peak season.

**Caters to wide range in the educational sector:-** It caters to the educational sector from primary to post graduation level.

- **Credit Risks:**

**Low scale of operations:-** The scale of operations remain low as indicated by total operating income of Rs 31.22cr in FY18 against Rs 31.65cr in FY17. However, it had increased from Rs 26.18cr in FY16 to Rs 31.65cr in FY17 and had remained stable in FY18.

**Intense competition:-** Due to fragmented nature of the industry, there is an intense competition which affects profitability margins.

**Seasonal nature of business:-** The academic books are usually sold at the beginning of the academic year, however, this risk gets partially offset by various segments it caters to i.e. from primary to post graduation.



## **Analytical Approach**

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

### **Support from Holding/Subsidiary company:-**

JBDPL has no Holding or Subsidiary company.

### **Liquidity:-**

Liquid investments were Nil and Cash & bank balances were Rs. 0.16Cr as on March 31 2018. Average working capital utilization for the six months period (May 2018 to November 2018) is 30%, utilisation is uneven with 50% in some months. The company has long term borrowings to the extent of Rs 2.14cr as of March 31 2018 and the fixed maturing obligations due in FY19 are Rs 0.84cr. The average receivable cycle is at 88 days. The current ratio was low at about 1.02 times in FY18. The company has strong debt protection metrics as seen by ISCR & DSCR at 4.88 times and 1.63 times respectively as on March 31 2018.

## **Rating Outlook: Stable**

BWR believes that **Jyoti Book Depot 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**

Established in 1998, Jyoti Book Depot Private Limited (JBDPL) is a private limited company engaged in publishing of educational books. They cater from primary level to post graduation. It caters to Punjab Board, Haryana Board and CBSE. The books are sold all over India, but mainly in Punjab and Haryana. Also, online sales facility is available. It is promoted by Mr. Bharat Bhushan Kapoor & Mr. Kiran Kapoor who have an experience of about 2 decades in this industry. JBDPL is located in Jalandhar, Punjab.



**Firm's Financial Performance:**

As per audited financials of FY18, the company has achieved a revenue of Rs 31.22cr and PAT of Rs1.02 cr against Rs 31.65cr and Rs 0.85cr respectively in FY17. Net Worth of the company stood at Rs 9.00cr in FY18 against Rs 7.97cr in FY17

**Rating History for the last three years**

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
	<b>Fund Based</b>	Long Term	5.40	<b>BWR BB (Outlook: Stable)</b>	NA	NA	NA
	<b>Total</b>		<b>5.40</b>	<b>₹ Five Crores and Forty Lakhs Only</b>			

Status of non-cooperation with previous CRA (if applicable)-Reason and comments



**Key Financial Indicators**

Key Parameters	Units	2018 (Audited)	2017 (Audited)
<b>Result Type</b>			
Operating Revenue	₹ Cr	31.22	31.65
EBITDA	₹ Cr	2.81	2.37
PAT	₹ Cr	1.02	0.85
Tangible Net worth	₹ Cr	9.00	7.97
Total Debt/Tangible Net worth	Times	0.83	0.73
Current Ratio	Times	1.02	0.94

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Services Sector](#)

For any other criteria obtain hyperlinks from website

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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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto: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.

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