

Rating Report

Brickwork Ratings assigns 'BWR BB+' Rating for Bank Loan facilities aggregating to ₹33.50 Cr of Arihant Publications India Limited.

Brickwork Ratings (BWR) has assigned the following **Ratings**¹ for Bank Loan facilities of Arihant Publications India Limited ("APIL" or "the company"):

Facility	Limits (₹ Cr)	Tenure	Rating
Fund Based:			
Cash Credit	20.00	Long Term	BWR BB+ (BWR Double B Plus) Outlook: Stable
Term Loan ¹	13.50		
Total	33.50	INR Thirty Three Crores Fifty Lakhs only	

BWR has essentially relied upon the audited financial statements upto FY14, provisional financial statements for FY15, projected financial statements for FY16 and information/clarifications provided by the Company.

The rating draws strength from the extensive experience of the promoters, strong brand image of Arihant Group, significant revenue growth in FY15, improvement in interest coverage indicators and equity infusion in FY15. The rating is constrained by low profit margins, presence in a highly fragmented and competitive industry, and substantial increase in long term debt availed for company's capex programme.

Background:

APIL was incorporated in the year 2005 at Meerut, Uttar Pradesh. It is a part of the Arihant Group which is a reputed publishing house. APIL is a publisher of books for Competitive exams such as IAS, PCS, NDA, CDS, CAT, MAT, Bank PO, GATE etc. and has more than 1600 active titles in circulation. It has 25 offices in various parts of India to ensure an efficient supply chain pan-India. The company's focus is now to penetrate the market for State specific Competitive exams. In line with their strategy they have already launched books in Assamese and Oriya which have received an encouraging response in the respective states. Other entities under the Arihant Group are Arihant Prakashan, Arihant Media Promoters, Arihant Edu Web Pvt Ltd, Arihant Print Solutions.

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

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Management Profile:

APIL is a family managed business. The three directors of the company are Mr Deepesh Jain, Mr Reetesh Jain and Mr Parvesh Jain. This team is responsible for strategy and operations for the entire Arihant group.

Financial Performance:

As per provisional financial statements for APIL, the Company's revenue from operations increased from Rs. 102.31 Crs in FY14 to Rs. 231.67 Crs in FY15. Operating profit margin decreased from 5.08% in FY14 to 3.91% in FY15. Net Profit margin however improved marginally from 0.45% to 0.49%. Interest Service Coverage ratio improved from 1.49 times in FY14 to 1.71 times in FY15. Cash Conversion cycle has significantly improved from 111 days in FY14 to 59 days in FY15 due to better inventory management. Total Debt Equity Ratio in FY15 was 2.79 times. However, Bank Debt to Equity Ratio is 1.95 times. The company has infused capital of ~Rs. 5 Crores in FY15 which has increased the tangible networth from Rs. 11.39 Crs to Rs. 17.46 Crs as on 31st March 2015.

Credit Risk Determinants:

- **Experience of the Promoters** – The promoters have been in the publishing business for more than 15 years
- **Brand image of Arihant Group** – The Arihant brand is very popular in Northern and Western India for competitive exam preparatory books .
- **Revenue Growth** – Revenue increased by more than 100% in FY15, partly due to sales to Arihant Prakashan and partly due to higher sales volumes in FY15
- **Interest servicing indicators** – The company's interest coverage indicators improved from 1.49 times in FY14 to 1.71 times in FY15.
- **Equity infusion** – APIL infused ~Rs. 5 Crs in FY15 which has improved its tangible networth
- **Expansion programme** – APIL has constructed a new building to house a state of the art printing unit. Currently, machinery is in the process of being installed. Once operational, this will be one of the largest printing units in Meerut.

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Rating Outlook:

The outlook for the Company is expected to be stable over the next twelve months. Going forward, ability of the company to achieve its projected revenue, successfully penetrate new

markets, improve profitability and further improve debt coverage indicators will be the key rating sensitivities.

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Annexure I: Summary of the Profit & Loss Statement

Crores	FY12	FY13	FY14	FY15
Result Type	A	A	A	Prov.
Net Sales	76.27	88.46	102.31	231.67
Total Operating Income	76.27	88.46	102.31	231.67
Operating Expenses	72.92	84.50	97.11	222.61
OPBDIT	3.34	3.96	5.19	9.06
Depreciation	0.27	0.44	0.83	2.22
OPBIT	3.07	3.52	4.37	6.83
Interest and Finance Charges	2.09	2.54	3.48	5.31
OPBT	0.98	0.98	0.88	1.53
PBT	0.98	0.97	0.89	1.53
Provision for Taxes	0.32	0.36	0.43	0.40
PAT	0.66	0.61	0.46	1.13

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Annexure II: Summary of the Balance Sheet

Crores	FY12	FY13	FY14	FY15
Result Type	A	A	A	Prov.
LIABILITIES				
EQUITY AND RESERVES	5.01	6.00	11.39	17.96
Share capital	0.87	0.95	3.11	4.66
Reserves and Surplus	4.14	5.05	8.28	13.29
Non-current liabilities	5.87	8.36	9.81	33.71
Long-Term Borrowings	1.02	2.36	7.38	25.78
Deferred tax Liabilities(net)	0.00	0.04	0.11	0.11
Other Long Term liabilities	4.86	5.97	2.31	7.81
Current liabilities	23.00	33.22	48.95	51.83
Short-Term Borrowings	10.29	15.70	21.23	22.83
CPLTD	0.00	0.00	0.00	0.00
Trade Payables	11.17	14.32	25.82	25.85
Other Current Liabilities	1.24	2.90	1.55	2.75
Short-Term Provisions	0.30	0.31	0.35	0.40
Total Liabilities	33.88	47.59	70.15	103.49
ASSETS				
Non-current assets	5.29	7.46	12.67	34.03
Net Fixed assets	4.53	6.69	12.00	32.86
Net Intangible assets	0.00	0.00	0.00	0.50
Non Current Investments	0.75	0.77	0.67	0.67
Current assets	28.58	40.13	57.48	69.47
Inventories	16.52	20.73	39.51	37.90
Trade Receivables > 6M	0.02	0.10	0.10	0.00
Trade Receivables < 6M	8.87	13.81	12.42	28.57
Cash and Cash Equivalents	2.41	3.26	4.20	0.67
Short-Term Loans and Adv	0.77	2.23	1.25	2.32
Total Assets	33.88	47.59	70.15	103.49

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Annexure III: Key Ratios

Key Ratios	Unit	FY12	FY13	FY14	FY15
Result Type		A	A	A	Prov.
Total Debt	Rs. Crs	11.30	18.06	28.61	48.61
Tangible Net Worth	Rs. Crs	5.01	6.00	11.39	17.46
Total Debt/TNW	Times	2.26	3.01	2.51	2.79
TOL/TNW	Times	5.65	6.69	4.63	4.34
ISCR	Times	1.60	1.56	1.49	1.71
DSCR	Times	1.44	1.34	1.25	1.36
Net Cash Accruals/Total Debt	Times	0.08	0.06	0.05	0.07
Net Profit Margin	%	0.86	0.69	0.45	0.49
Operating Profit Margin	%	4.38	4.47	5.08	3.91
ROCE	%	18.83	17.41	13.59	12.86
Current Ratio	Times	1.24	1.21	1.17	1.34
Days Receivables	Days	43	47	47	32
Days Inventory	Days	96	94	132	74
Days Payable	Days	38	44	68	47
Conversion Cycle	Days	101	97	111	59