

Rating Rationale

Brickwork Ratings assigns 'BWR A-' & 'BWR A2+' for the Bank Loan Facilities amounting to ₹ 260 Cr of Arise India Ltd.

Brickwork Ratings has assigned the following **Ratings**¹ for the Bank Loan Facilities amounting to ₹ 260 Cr of Arise India Ltd. Details of the Bank Loan Facilities are as in the table below:

Facility	Bank Name	Tenure	Existing Limits (₹ Cr)	Rating
Fund Based Limits	SBI	Long Term	98.75	BWR A- (BWR A Minus) (Outlook: Stable)
	Axis Bank		64.25	
	State Bank of Mysore		30.00	
	OBC		31.00	
	Dena Bank		26.00	
Non Fund Based Limits	SBI	Short Term	10.00	BWR A2+ (BWR A Two Plus)
Total Rated Limits			260.00 (INR Two Hundred Sixty Crores only)	

The rating has factored, inter alia, the long operating history of the Company, pan India presence of the Company with strong network of branches and dealers, comfortable debt protection metrics and overall improvement in the financial performance of the Company.

The rating, however, is constrained by high working capital requirements of the business and high degree of completion from various organised as well as unorganised players in the market for its different product segments. The Company's foray into mobile devices and televisions segment, which is an extremely competitive segment involving established brands, is also a matter of slight concern, since this is not an area of core competence for the Company.

BWR has principally relied upon the audited financial results up to FY13 of Arise India Ltd, projections of FY14 and FY15, and clarifications as provided by the Company management.

Background

Arise India Ltd, founded in 1984 by Mr. Avinash Jain, is a manufacturer of monobloc and submersibles pumps, inverters and batteries, and a trader of white goods, home and kitchen

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

appliances such as gas & electrical geysers, R.O. systems and air conditioners. The Company has been awarded an ISO 9001- 2008 certification by BSI London (United Kingdom), wherein all the products of the Company are ISI Certified and have received various awards and licenses as well. The Company's product portfolio is well diversified and includes Machinery such as Self Priming Pump Set, Submersible Pump Set, Sewerage Pump Set; Energy Products such as Solar Products, Batteries, UPS, Inverters; Home Appliances, Kitchen Appliances, Mobile Devices, LED Lighting and many more. The Company also launched its wide range of LED TV sets in August, 2013. The Company sells all its products under the brand name 'ARISE'.

As of March 31, 2013, Machinery segment (comprising of pump sets) contributed 46% to the total revenues of the Company, followed by Energy segment (comprising of solar products, batteries, UPS & Inverters) (32%), home appliances (13%), Mobile and Lighting (5%) and Kitchen appliances (3%).

The Company has a strong network of branches & dealerships in India. The total numbers of branch offices are 45 and the total employee strength is 3000. The company has more than 12000 distributors and dealers across India. The Company has 2 plants located at Sonapat & Kale Amb for manufacturing Monoblocs, Submersibles Pump Sets and Inverter Batteries.

Shareholding Pattern

As of March 31, 2013, Mr. Avinash Jain held 45.21% of the stake in the Company, followed by Mrs. Sudesh Jain (30.55%), Mrs. Anju Jain (17.51%) and others (6.73%).

Management Profile

Mr. Avinash Jain is the Managing Director of the Company. He entered the family business right after his graduation in 1991. Mrs. Sudesh Jain and Mrs. Anju Jain are the other Directors on the board of the Company. Mr. Harsh Vardhan Sharma is the Vice President- Machinery division of the Company. He has over 19 years of experience in developing and mobilizing marketing strategies and programs. Mr. Rajesh Logani is the Senior Vice President – Marketing & Corporate Communication. He looks after Marketing & Corporate Communications department of the Company, and has been a major resource in business development of the Appliances Department for the company.

Financial Performance

Net sales of the Company improved to ₹ 853.16 Cr in FY13 from ₹ 672.66 Cr in FY 12. The Company's EBITDA and EBIT margins stood at 8.93% and 8.63% respectively in FY13 when compared with 7.76% and 7.47% respectively in FY12. PAT margins were at 3.93% in FY13 Vs. 3.72% in FY12.

Long term borrowings stood at ₹ 0.14 Cr in FY13 Vs. ₹ 0.16 Cr in FY12. Short term borrowings stood at ₹ 192.37 Cr in FY13 Vs. ₹ 164.72 Cr in FY12. Tangible net worth stood at ₹ 152.62 Cr in FY13 vs. ₹ 100.74 Cr in FY12. Therefore, total debt/ Tangible net worth improved to 1.26 times in FY13 vs. 1.64 times in FY12.

For 1QFY14, the Company's turnover and Profit after tax stood at ₹ 242.98 Cr and ₹ 19.30 Cr respectively. As of 1QFY14, net worth and the total loan funds of the Company stood at ₹ 174.33 Cr and ₹ 216.53 Cr respectively.

The financial details are in the annexures.

Rating Outlook

Pan- India presence with strong dealership network, competitive pricing and strong revenue growth are the key positives of the Company. However, going forward, ability to the Company to create strong brand awareness for its products and meet projected revenues from the existing as well as new product launches would be a key monitorable. Also, the Company's ability to effectively manage its working capital cycle and expand its scale of business operations would be key rating sensitivities.

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Arise India Ltd

Annexure1

Profit & Loss

₹ Cr

Particulars	2011	2012	2013
Result Type	Audited	Audited	Audited
Net Sales	439.59	672.66	853.16
Total Operating Income	439.59	672.66	853.16
Operating Expenses	420.06	620.43	776.98
Operating Profit Before Depreciation, Interest and Taxes	19.53	52.23	76.19
Depreciation/Amortization/Impairment	0.95	2.00	2.57
Operating Profit Before Interest and Tax	18.58	50.24	73.61
Interest and Finance Charges	5.00	17.84	25.12
Operating Profit Before Tax	13.58	32.40	48.49
Non Operating Income(Expenses)	0.01	0.06	0.12
Profit Before Tax	13.59	32.46	48.62
Extraordinary/Prior Period - Income(Expense)	-	0.13	0.43
Provision for Taxes	3.56	7.56	15.53
Adjusted Profit After Tax(Continuing Operations)	10.03	25.02	33.52
Adjusted Profit After Tax	10.03	25.02	33.52

Annexure 2
Balance Sheet

₹ Cr

Particulars	2011	2012	2013
Result Type	Audited	Audited	Audited
Equity and Liabilities	52.37	100.83	152.85
Share capital	5.71	6.89	7.82
Share Application money Pending allotment	0.22	-	-
Reserves and Surplus	46.45	93.94	145.04
Non-current liabilities	3.03	11.79	17.54
Long-Term Borrowings (vehicle term loan)	0.39	0.16	0.14
Deferred tax Liabilities (Net)	2.63	3.57	9.31
Other Long Term liabilities	-	8.03	7.92
Long-Term Provisions	-	0.03	0.17
Current liabilities	91.05	199.68	273.26
Short-Term Borrowings	74.43	164.72	192.37
Current Portion Of Long Term Debt	-	0.17	0.20
Trade Payables	9.09	25.23	59.54
Other Current Liabilities	7.54	-	-
Short-Term Provisions	-	9.57	21.15
Total Liabilities	146.45	312.30	443.65
Assets			
Non-current assets	16.45	31.29	55.76
Net Fixed assets	16.45	21.99	34.66
Net Intangible assets	-	0.09	0.23
Non-Current Investments	-	-	-
Long Term Loans and Advances	-	0.76	0.84
Long Term Trade Receivables	-	0.51	6.90
Other Non-Current Assets	-	7.94	13.12
Current assets	125.71	281.01	387.89
Current Investments	-	-	-
Inventories	65.52	163.75	239.54
Trade Receivables > Six Months	0.84	0.73	4.60
Trade Receivables < Six Months	50.40	104.51	120.94
Cash and Cash Equivalents	0.73	2.27	2.06
Short-Term Loans and Advances	8.23	3.71	7.04
Other Current Assets	-	6.03	13.71
Miscellaneous Expenditure To the Extent Not Written off(Current)	4.29	-	-
Total Assets	146.45	312.30	443.65

Annexure 3
Ratio Analysis

Key Ratios	2011	2012	2013
Result Type	Audited	Audited	Audited
Total Debt/ Tangible Net worth	1.56	1.64	1.26
Long Term Debt/Tangible Net worth	0.01	0.00	0.00
TOL/Tangible Net worth	1.96	2.10	1.91
Interest Service Coverage Ratio	3.91	2.93	3.03
Debt Service Coverage Ratio	3.19	2.51	2.42
Tangible Net Worth (₹ Cr)	48.09	100.74	152.62
Net Profit Margin	2.28%	3.72%	3.93%
Operating Profit Margin	4.44%	7.77%	8.93%
Net Cash Accruals/Total Debt	0.19	0.17	0.22
Net Cash Accruals/Long Term Debt (₹ Cr)	36.28	171.53	296.13
ROCE	22.37%	25.44%	23.59%
Current Ratio (times)	1.38	1.41	1.42
Days Receivables (No. Of days)	28	42	49
Days Inventory (No. Of days)	39	70	99
Days Payable (No. Of days)	6	9	19
Conversion Cycle (No. Of days)	62	103	129

(As per BWR calculations)