

Rating Report

Brickwork Ratings upgrades the rating to ‘BWR A’ & ‘BWR A1’ for the Bank Loan Facilities of Arise India Ltd aggregating ₹ 325 Cr (enhanced from ₹ 260 Cr)

Brickwork Ratings has upgraded the **Rating¹** 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	250.00	315.00	Long Term	BWR A (Pronounced as BWR Single A) Outlook: Stable	BWR A-(Pronounced as BWR Single A Minus) Outlook: Stable (September 2013)
Non Fund Based: LC	10.00	10.00	Short Term	BWR A1 (Pronounced as BWR A One)	BWR A2+ (Pronounced as BWR A Two Plus) (September 2013)
Total	260.00	325.00	INR Three Hundred Twenty Five Crores Only		

BWR has principally relied upon the audited financial results up to FY14, projected financial results up to FY16 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, pan India presence with 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 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 and the name was changed to Arise India Limited. Arise manufactures mono-block water pumps, submersible pumps and batteries.

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

It also sells electric items such as water geysers, fans, inverters and water purifiers, under its brand 'Arise'. The company has its manufacturing units in Sonapat (Haryana) and Kala Amb (Himachal Pradesh). The Company has been awarded 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. 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. Manufacturing activities contributed 63% to the total revenue in FY14 and the balance was contributed by trading activities.

New Products Launched:

During the year, the company has launched various new products in order to expand its foothold such as:

- The company has introduced sine wave UPS solutions range to provide a complete battery charging solution. One of the key advantages of the product is its power saver feature resulting in lesser power usage while charging.
- Arise also launched ABS-body water heaters and solar inverters during the year. ABS-body water heaters are resistant to corrosion and rust improving its useful life and solar inverter will provide an opportunity to Arise to cater to educational, commercial and residential sectors that are transforming to renewable energies.
- The company entered the dynamic television market with a range of LED Televisions & LED's powered with Android technology (for catering the ever growing interest of the younger generation being the major influencers for purchase). The company aimed at Tier I & II towns and cities. The range is powered by innovative features like all android features present in smart phones, Eye Protection Technology (EPT) - safeguarding eyes from growing irritation due to longer television viewing; a host of connectivity features; eye catching color profiles and much more.

New Marketing Initiative:

The company has started a new marketing initiative with the name '**Arise One**'. Under the initiative, the company is encouraging its existing distributors and also new distributors to open exclusive stores for Arise products. There are three investment slabs – Rs. 6 lakhs, Rs. 20 lakhs and Rs. 60 lakhs which the distributors can choose to set up the stores. The distributors are assured for a definite return of 25% on their investment value or their annual turnover whichever is higher. The distributors will be provided only those products which are in demand

in their region, festive offers & promotional schemes and the accounting software as well. The customers will be provided services such as online booking and door step delivery.

Ownership & Management:

The current shareholding of the company is as follows: Mr. Avinash Jain – 47.26%, Mr. N. C. Jain – 26.34%, Mrs. Anju Jain – 20.60% and Family & Friends – 5.80%

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. 1259.53 Cr for FY14 as compared to Rs. 853.96 Cr for FY13. EBITDA Margin increased from 8.92% in FY13 to 9% in FY14 and PAT Margin increased from 3.93% in FY13 to 4.06% in FY14. Tangible Net Worth of the company stood at Rs. 228.66 Cr as on March 31, 2014 as compared to Rs. 152.62 Cr as on March 31, 2013. Overall Gearing of the company increased marginally from 1.26 times as on March 31, 2013 to 1.30 times as on March 31, 2014.

On a provisional basis, the company reported an Operating Income of Rs. 1136.64 Cr for 9M FY15.

Key Rating Determinants:

Improved Performance: The Company's operational and financial performance improved in FY14. The revenue increased by 47% and is expected to grow in the range of 20-25% in FY14. The company has achieved a turnover of Rs. 1136.64 Cr in 9M FY15 (April-December) which is 75% of the projected revenue for FY15. The profitability indicators of the company have also shown improvement in FY14 and are further expected to improve in FY15.

Comfortable Financial Risk Profile: The Company reported a strong net worth of Rs. 228.66 Cr as on March 31, 2014 with a comfortable gearing of 1.30 times. Debt protection indicators are also strong with an Interest Service Coverage Ratio (ISCR) of 3.75 times as on March 31, 2014 as compared to 3.03 times as on March 31, 2013.

Working Capital Intensive Operations: The manufacturing and trading activities of the company are working capital intensive by nature. The company, however, has been able to manage its working capital efficiently.

Rating Outlook:

The rating outlook is expected to be stable for the current year. Going forward, the ability to the Company to meet projected revenues from the existing as well as new products launched and effectively manage its working capital would be the key monitorables.

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Arise India Ltd
Annexure I – Profit & Loss Account Summary

P&L Account (Rs. Crs)	FY12 (A)	FY13 (A)	FY14 (A)
Gross Sales	674.22	857.69	1263.21
Excise Duty/Sales Tax	1.56	3.73	3.68
Total Operating Income	672.66	853.96	1259.53
Operating Expenses	620.43	777.77	1146.15
OPBDIT	52.23	76.19	113.38
Depreciation/Amortization/Impairment	2.00	2.57	4.80
Interest and Finance Charges	17.84	25.12	30.22
Non-Operating Income(Expenses)	0.06	0.12	0.16
PBT	32.46	48.62	78.52
Extraordinary/Prior Period - Income(Expense)	0.13	0.43	0.04
Provision for Taxes	7.56	15.53	27.47
PAT	25.02	33.52	51.10

Arise India Ltd

Annexure II – Balance Sheet Details

LIABILITIES (Rs. Crores)	FY12 (A)	FY13 (A)	FY14 (A)
EQUITY AND RESERVES	100.83	152.85	229.06
Share capital	6.89	7.82	9.07
Reserves and Surplus	93.94	145.04	219.99
Non-current liabilities	11.79	17.54	43.73
Long-Term Borrowings	0.16	0.14	0.18
Deferred tax Liabilities (Net)	3.57	9.31	19.71
Other Long Term liabilities	8.03	7.92	23.03
Long-Term Provisions	0.03	0.17	0.82
Current liabilities	199.68	273.26	407.21
Short-Term Borrowings	164.72	192.37	297.06
Current Portion Of Long Term Debt	0.17	0.20	0.19
Trade Payables	28.27	64.32	93.35
Other Current Liabilities	0.00	0.00	0.00
Short-Term Provisions	6.52	16.37	16.62
Total Liabilities	312.30	443.65	680.01
ASSETS			
Non-current assets	31.29	55.76	91.99
Net Fixed assets	21.99	34.66	59.22
Net Intangible assets	0.09	0.23	0.40
Long Term Loans and Advances	0.76	0.84	1.03
Long Term Trade Receivables	0.51	6.90	0.00
Other Non-Current Assets	7.94	13.12	31.34
Current assets	281.01	387.89	588.02
Inventories	163.75	239.54	323.72
Trade Receivables > Six Months	0.73	4.60	16.28
Trade Receivables < Six Months	104.51	120.94	224.02
Cash and Cash Equivalentents	2.27	2.06	2.66
Short-Term Loans and Advances	3.71	7.04	6.52
Other Current Assets	6.03	13.71	14.82
Total Assets	312.30	443.65	680.01

Arise India Ltd
Annexure III – Key Financial Ratios

Key Ratios	Unit	FY12 (A)	FY13 (A)	FY14 (A)
Total Debt	Crores	165.05	192.71	297.42
Tangible Net Worth	Crores	100.74	152.62	228.66
Total Debt/TNW	Times	1.64	1.26	1.30
Long Term Debt/TNW	Times	0.00	0.00	0.00
TOL/TNW	Times	2.10	1.91	1.97
ISCR	Times	2.93	3.03	3.75
DSCR	Times	2.51	2.42	2.83
Net Cash Accruals/Total Debt	Times	0.17	0.22	0.22
Net Cash Accruals/Long Term Debt	Times	171.53	296.13	372.47
Net Profit Margin	%	3.72	3.93	4.06
Operating Profit Margin	%	7.77	8.92	9.00
ROCE	%	18.65	23.59	24.12
Current Ratio	Times	1.41	1.42	1.44
Days Receivables	Days	57	49	53
Days Inventory	Days	100	99	93
Days Payable	Days	14	19	23
Conversion Cycle	Days	143	128	124