

## Rating Report

### Brickwork Ratings reaffirms the rating at “BWR A” & “BWR A1” for the Bank Loan Facilities of Arise India Ltd aggregating ₹425 Crores (enhanced from ₹325 Crores)

Brickwork Ratings has reaffirmed the **Ratings**<sup>1</sup> for the Bank Loan Facilities of Arise India Ltd (Arise or “the Company”) as follows:

Facility*	Previous Amount (₹ Crs)	Rating Amount (₹ Crs)	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)
<b>Total</b>	<b>325.00</b>	<b>425.00</b>	<b>INR Four Hundred Twenty Five Crores Only</b>		

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 and the name was changed to Arise India Limited.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

Arise manufactures mono-block water pumps, submersible pumps and batteries. It also sells electric items such as water geysers, fans, inverters and water purifiers, under its brand name '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. 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.

#### **Key Rating Determinants:**

Improved Performance: The Company's operational and financial performance improved in FY14. The revenue increased by approx. 25% to Rs. 1564.79 Cr in FY15 (higher than the projected revenue of Rs. 1515.75 Cr) and is expected to grow in the range of 18-20% in FY16.

The company has achieved a turnover of Rs. 1016.62 Cr in H1 FY15 (April-September) which is 55% of the projected revenue for FY16. The profitability indicators of the company have shown slight improvement in FY15 but are range bound.

**Competition:** Company's products are in the nature of electrical items and home appliances, for which there is intense competition, especially from well established brands. These products are sold through retail chains, as also brand stores. Hence, a local brand like 'Arise' needs to compete with such players, by continuously improving quality, competitively price them, and provide attractive margin for the dealers.

**Working Capital Intensive Operations:** The manufacturing and trading activities of the company are working capital intensive by nature, particularly on account of variety of products sold by the company. Their inventory was in the range of 90 – 100 days and receivables around 60 days. As the company's Trade Payables was relatively low, overall working capital cycle exceeded 4 months. This results in higher working capital borrowings and interest costs. The company, needs to manage its working capital more efficiently.

### 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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**Arise India Limited**  
**Annexure I – Profit & Loss Account Summary**

<b>P&amp;L Account Summary (Rs. Crores)</b>	<b>FY12 (A)</b>	<b>FY13 (A)</b>	<b>FY14 (A)</b>	<b>FY15 (A)</b>
Gross Sales	674.22	857.69	1263.21	1569.47
Excise Duty/Sales Tax	1.56	3.73	3.68	4.67
<b>Total Operating Income</b>	<b>672.66</b>	<b>853.96</b>	<b>1259.53</b>	<b>1564.79</b>
Operating Expenses	620.43	777.77	1146.15	1419.43
<b>OPBDIT</b>	<b>52.23</b>	<b>76.19</b>	<b>113.38</b>	<b>145.36</b>
Depreciation/Amortization/Impairment	2.00	2.57	4.80	7.64
Interest and Finance Charges	17.84	25.12	30.22	41.98
Non-Operating Income(Expenses)	0.06	0.12	0.21	0.40
<b>PBT</b>	<b>32.46</b>	<b>48.62</b>	<b>78.57</b>	<b>96.14</b>
Extraordinary/Prior Period - Income(Expense)	0.13	0.43	-0.01	-0.02
Provision for Taxes	7.56	15.53	27.47	32.30
<b>PAT</b>	<b>25.02</b>	<b>33.52</b>	<b>51.10</b>	<b>63.82</b>

**Arise India Limited**  
**Annexure II – Balance Sheet Details**

<b>LIABILITIES (Rs. Crores)</b>	<b>FY12 (A)</b>	<b>FY13 (A)</b>	<b>FY14 (A)</b>	<b>FY15 (A)</b>
<b>EQUITY AND RESERVES</b>	<b>100.83</b>	<b>152.85</b>	<b>229.06</b>	<b>317.92</b>
Share capital	6.89	7.82	9.07	9.57
Reserves and Surplus	93.94	145.04	219.99	308.35
<b>Non-current liabilities</b>	<b>11.79</b>	<b>17.54</b>	<b>43.73</b>	<b>65.33</b>
Long-Term Borrowings	0.16	0.14	0.18	0.18
Deferred tax Liabilities (Net)	3.57	9.31	19.71	32.33
Other Long Term liabilities	8.03	7.92	23.03	31.97
Long-Term Provisions	0.03	0.17	0.82	0.85
<b>Current liabilities</b>	<b>199.68</b>	<b>273.26</b>	<b>407.21</b>	<b>487.23</b>
Short-Term Borrowings	164.72	192.37	297.06	347.76
Current Portion Of Long Term Debt	0.17	0.20	0.19	0.22
Trade Payables	28.27	64.32	93.35	102.46
Other Current Liabilities	0.00	0.00	0.00	0.00
Short-Term Provisions	6.52	16.37	16.62	36.79
<b>Total Liabilities</b>	<b>312.30</b>	<b>443.65</b>	<b>680.01</b>	<b>870.48</b>
<b>ASSETS</b>				
<b>Non-current assets</b>	<b>31.29</b>	<b>55.76</b>	<b>91.99</b>	<b>145.66</b>
Net Fixed assets	21.99	34.66	59.22	99.07
Net Intangible assets	0.09	0.23	0.40	0.31
Long Term Loans and Advances	0.76	0.84	1.03	1.20
Long Term Trade Receivables	0.51	6.90	0.00	0.00
Other Non-Current Assets	7.94	13.12	31.34	45.08
<b>Current assets</b>	<b>281.01</b>	<b>387.89</b>	<b>588.02</b>	<b>724.83</b>
Inventories	163.75	239.54	323.72	368.99
Trade Receivables > Six Months	0.73	4.60	16.28	19.40
Trade Receivables < Six Months	104.51	120.94	224.02	282.69
Cash and Cash Equivalentents	2.27	2.06	2.66	7.21
Short-Term Loans and Advances	3.71	7.04	6.52	6.90
Other Current Assets	6.03	13.71	14.82	39.64
<b>Total Assets</b>	<b>312.30</b>	<b>443.65</b>	<b>680.01</b>	<b>870.48</b>

**Arise India Limited**  
**Annexure III – Key Financial Ratios**

<b>Key Ratios</b>	<b>Unit</b>	<b>FY12 (A)</b>	<b>FY13 (A)</b>	<b>FY14 (A)</b>	<b>FY15 (A)</b>
Total Debt	Crores	165.05	192.71	297.42	348.16
Tangible Net Worth	Crores	100.74	152.62	228.66	317.61
Total Debt/TNW	Times	1.64	1.26	1.30	1.10
Long Term Debt/TNW	Times	0.00	0.00	0.00	0.00
TOL/TNW	Times	2.10	1.91	1.97	1.74
ISCR	Times	2.93	3.03	3.75	3.46
DSCR	Times	2.51	2.42	2.83	2.69
Net Cash Accruals/Total Debt	Times	0.17	0.22	0.22	0.24
Net Cash Accruals/Long Term Debt	Times	171.53	296.13	375.02	461.99
Net Profit Margin	%	3.72	3.93	4.06	4.08
Operating Profit Margin	%	7.77	8.92	9.00	9.29
ROCE	%	18.65	23.59	24.12	22.14
Current Ratio	Times	1.41	1.42	1.44	1.49
Days Receivables	Days	57	49	53	63
Days Inventory	Days	100	99	93	93
Days Payable	Days	14	19	23	24
Conversion Cycle	Days	143	128	124	132