

Rating Report

Brickwork Ratings reaffirms ratings BWR BB+ for the Bank Loan Facilities aggregating to ₹ 45.75 crore of Arihant Publications India Ltd.

Brickwork Ratings has reaffirmed following ratings for the bank loan facilities of Arihant Publications India Ltd. (APIL or the 'Company') as under :-

Facility	Previous Limits (Rs Crs)	Present Limits (Rs.Cr)	Tenure	Present Rating [^]	Rating History
Fund based					
CC	20.00	35.00	Long term	BWR BB+ (BWR Double B Plus) (Outlook :Stable) (Reaffirmed)	BWR BB+ (BWR Double B Plus) (Outlook:Stable)
Term Loan (O/S)	13.50	10.75			
Total	33.50	45.75	(INR Forty Five Crore and Seventy Five Lakh Only)		

[^]Please refer to BWR website www.brickworkratings.com for definition of the rating assigned

BWR has principally relied upon the audited financial results of Arihant Publications India Ltd. upto FY16, information/clarifications provided by the company and other publicly available information.

The assigned ratings derive comfort from the experienced promoters of company in the same line of business, significant growth in top line and improvement in profit margins, besides low collection period for trade receivables. However, the ratings, are constrained by low profit margins, high inventory levels, deterioration in cash conversion cycle, high gearing and presence in a highly competitive market which could adversely impact profit margins.

Background:

Arihant Publications India Private Limited (APIL) was incorporated in 2005 at Meerut. The company was converted into a closely held Public limited company in the year 2011 and renamed Arihant Publications India Limited (APIL). It has over 1600 active titles related to IAS, PCS, NDA, CDS, CAT, MAT, Bank PO, GATE, Board Exams and other general reading books. APIL is a part of Arihant group which was established in 1997 by Mr Yogesh Jain. Other entities under Arihant Group include Arihant Prakashan, Arihant Media Promoters, Arihant Edu Web Pvt. Ltd., and Arihant Print Solutions. The group is engaged in publishing books for IIT,JEE, Polytechnic, CBSE and the group has over 1800 active titles and a PAN India network.

Financial Performance:

As per the audited financials of APIL for FY16, top line of the company increased from Rs. 227.69 Crs in FY15 to Rs. 259.66 Crs and PAT is at Rs 1.65 Crs in FY16. Operating profit margin and net profit margin for the company stood at 4.68% and 0.64% respectively in FY16.

Key Rating Determinants:

Moderate Financial Risk:

- Turnover has improved by 14% from Rs 227.69 crore in FY15 to Rs 259.66 crore in FY16.
- PAT improved significantly from Rs 1.02 crore in FY15 to Rs 1.65 crore in FY16.
- Traded receivables < 6 months has improved from Rs 24.57 crore to Rs 20.95 crore.
- Company has low net profit margin at 0.64% in FY16 and needs improvement.
- Inventories has increased from Rs 36.34 crore to Rs 59.76 crore which could impact the liquidity of company and subsequently conversion cycle has deteriorated from 53 days in FY15 to 78 days in FY16.
- Company is highly leveraged and TOL/TNW increased from 4.39 in FY15 to 4.68 in FY16. Company needs to maintain gearing (TOL/TNW) up to industry standards viz. <3.
- Net worth is Rs 18.06 Crs against the total debt of Rs 69.97 Crs in FY16 and as per company advices, operating revenue for 7MFY17 is Rs 197.69 crore.

Moderate Management Risk:

It is a family managed business headed by Mr. Reetesh Jain (Graduate), Mr. Deepesh Jain (Graduate), and Mr. Parvesh Jain (Graduate) having experience of more than 18 years in same line of business.

High Business Risk:

- Rapid change in contents due to rectification and change in syllabus, addition of contents or due to political reasons may impact publishing costs of the company.
- Industry is characterized by intense competition from competitors which could adversely affect profit margins of company.

Moderate Industry Risk:

Literacy in India is rising rapidly, from 65 per cent in 2001 to 74 per cent in 2011, and it is predicted to reach 90 per cent in 2020. Compounded annual growth was 20.4 per cent between 2011 and 2015 as per 'Indian Book Market Research' by Nielsen.

Rating Outlook:

The rating outlook is expected to be stable over the current year. Going forward, the ability of the company to improve its profit margins significantly, bring down the gearing to industry standards, optimise inventory management, efficiently manage its working capital besides augment its capital structure would remain the key sensitivities.

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ARIHANT PUBLICATIONS INDIA LTD.
ANNEXURE I – STATEMENT OF PROFIT AND LOSS ACCOUNT

Crores	FY13	Fy14	FY15	FY16
Result Type	Audited	Audited	Audited	Audited
Gross Sales	88.46	102.31	227.69	259.66
Operating Expenses	84.50	97.11	218.01	247.50
OPBDIT	3.96	5.19	9.68	12.16
Depreciation/Amortization/Impairment	0.44	0.83	3.34	4.46
OPBIT	3.52	4.37	6.34	7.69
Interest and Finance Charges	2.54	3.48	5.30	6.41
OPBT	0.98	0.88	1.05	1.28
Non-Operating Income(Expenses)	0.00	0.01	0.00	0.09
PBT	0.97	0.89	1.05	1.37
Provision for Taxes	0.36	0.43	0.03	-0.28
PAT	0.61	0.46	1.02	1.65

ARIHANT PUBLICATIONS INDIA LTD.
ANNEXURE II – BALANCE SHEET

Liabilities(Crs)	FY13	Fy14	FY15	Fy16
Result Type	Audited	Audited	Audited	Audited
EQUITY AND RESERVES	6.00	11.39	17.78	19.04
Share capital	0.95	3.11	4.66	4.66
Reserves and Surplus	5.05	8.28	13.12	14.38
Non-current liabilities	8.36	9.81	27.89	43.96
Long-Term Borrowings	2.36	7.38	25.95	36.17
<i>a)Loans&Advances from related parties</i>	<i>na</i>	<i>na</i>	<i>10.00</i>	<i>20.60</i>
<i>b)Loan from inter corporate</i>	<i>na</i>	<i>na</i>	<i>na</i>	<i>1.00</i>
<i>c)Term Loans</i>	<i>na</i>	<i>na</i>	<i>14.50</i>	<i>12.80</i>
<i>d)Car Loan</i>	<i>na</i>	<i>na</i>	<i>1.40</i>	<i>1.70</i>
Other Long Term liabilities	5.97	2.31	1.79	7.79
Current liabilities	33.22	48.95	55.56	61.26
Short-Term Borrowings (CC)	15.70	21.23	22.99	33.81
Current Portion Of Long Term Debt	0.00	0.00	0.00	0.00
Trade Payables	14.32	25.82	29.26	23.93
Other Current Liabilities	2.90	1.55	3.31	3.53
Total Liabilities	47.59	70.15	101.22	124.26
ASSETS				
Non-current assets	7.46	12.67	35.85	36.70
Net Fixed assets	6.69	12.00	34.10	34.84
Non Current Investments	0.77	0.67	0.71	0.73
Deferred Tax Assets (Net)	0.00	0.00	0.00	0.14
Current assets	40.13	57.48	65.37	87.57
Inventories	20.73	39.51	36.34	59.76
Trade Receivables < Six Months	13.81	12.42	24.57	20.95
Cash and Cash Equivalents	3.26	4.20	2.61	4.93
Short-Term Loans and Advances	2.23	1.25	1.85	1.92
Total Assets	47.59	70.15	101.22	124.26

ARIHANT PUBLICATIONS INDIA LTD.
ANNEXURE III – FINANCIAL RATIOS

Ratio	FY13	Fy14	FY15	Fy16
Result Type	Audited	Audited	Audited	Audited
Long Term Borrowings	2.36	7.38	25.95	36.17
Short Term Borrowings	15.70	21.23	22.99	33.81
Current Portion Of Long Term Debt	0.00	0.00	0.00	0.00
Total Debt	18.06	28.61	48.94	69.97
Tangible Net Worth	6.00	11.39	16.74	18.06
Capital Employed	24.10	40.12	65.82	87.89
Total Debt/TNW	3.01	2.51	2.92	3.87
Long Term Debt/TNW	0.39	0.65	1.55	2.00
TOL/TNW	6.69	4.63	4.39	4.68
ISCR	1.56	1.49	1.83	1.90
DSCR	1.34	1.25	1.52	1.45
Net Cash Accruals/Total Debt	0.06	0.05	0.09	0.08
Net Cash Accruals/Long Term Debt	0.47	0.18	0.17	0.16
Net Profit Margin	0.69	0.45	0.45	0.64
Operating Profit Margin	4.47	5.08	4.25	4.68
ROCE	17.41	13.59	11.97	10.01
Current Ratio	1.21	1.17	1.18	1.43
Days Receivables	47	47	30	32
Days Inventory	94	132	72	81
Days Payable	44	68	49	35
Conversion Cycle	97	111	53	78