DECEMBER 19, 2016

CARE REAFFIRMS RATINGS ASSIGNED TO BANK FACILITIES OF NAVNEET EDUCATION LIMITED AND ASSIGNS STABLE OUTLOOK

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term /Short-term bank limits	300.00	**CARE AA+; Outlook: Stable/CARE A1+ [Double A Plus Outlook: Stable/ A One Plus]**	Reaffirmed
Short-term non-fund based bank limits	2.00	**CARE A1+ [A One Plus]**	Reaffirmed
Total	**302.00 (Rupees Three Hundred and Two crore Only)**		

Rating Rationale

The reaffirmation of ratings assigned to bank facilities of Navneet Education Limited (NEL) continues to factor long experience of its promoters in publication & stationary business, NEL's well-established market presence & strong brand recognition in the states of Maharashtra & Gujarat towards publication of educational books related to State Secondary Certificate (SSC) board, stable operational performance translating into improved debt coverage indicators and robust capital structure of the company in FY16 (A) (Audited, refers to period April 01, to March 31,) and H1FY17 (UA) (Unaudited, refers to period April 01 to September 30,).

The above rating strengths are however partially offset by dependence on syllabus change for revenue growth in publication segment, revenue concentration in the state of Maharashtra & Gujarat and highly competitive & fragmented stationery segment.

The ability of NEL to significantly expand its foot print to geographies other than Maharashtra & Gujarat as well as to make inroads in other national & state level boards and extend any support/investment to group/associate companies impacting NEL's overall financial risk profile remains key rating sensitivities.

Outlook: Stable

CARE assigns Stable outlook to the long term ratings of NEL. The assignment of outlook factors stable operational performance of the company amidst competitive business environment translating into strong financial risk profile and robust debt coverage indicators. Also, considering the exhibition of robust financial performance CARE believes the proposed acquisition and buyback of shares would have no impact on overall financial risk profile of the company.

Background

Incorporated in 1984, NEL's (formerly Navneet Publications (India) Ltd) operations are classified into publication and stationery segments. Having started its operations as a publishing house for educational & children books, NEL publishes supplementary educational books in five languages - English, Gujarati, Hindi, Marathi, and Urdu. The publication segment accounts for about 55%-60% of the company's revenues. Later, in 1993, the company ventured into paper based stationery. Further in 2006, NEL diversified to non-paper based stationery such as pencils, erasers, sharpeners, rulers, compass boxes & art materials etc. The segment accounts for 40% - 45% of revenues. Presently, the company has four manufacturing units in Maharashtra, Gujarat & Silvassa and more than 500 stock keeping units. Additionally, NEL has ventured into several education-related fields over the past few years. The company operates six pre-schools in Pune and

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

Mumbai, provides digital learning solutions through its subsidiary (eSense Learning Pvt Ltd) and holds 26.20% stake in K-12 Techno Services Private Limited (through Navneet LLP), which is into School Management managing 12 Orchids-International Schools in Bangalore, Mumbai, Pune and Hyderabad.

NEL on October 26, 2016 announced that the company proposes to acquire curriculum business of Encyclopaedia Britannica (India) Private Limited (EBPL) for amount ranging between Rs. 85-90 crore for cash. With the acquisition of curriculum business the company expects to diversify its publication business and reduce geographical concentration to an extent. Currently, due diligence process is under way towards acquisition of business and would subsequently enter into Definitive Agreement. Also, on November 16, 2016 the company announced buy back up to 46,57,000 fully paid shares of face value of Rs. 2/- representing up to 1.95% of totally fully paid equity share capital of the company at a price of Rs. 125/-, amounting to Rs. 58 crore. Thus, the total expected cash outflow is Rs. 143 to 148 crore, which is proposed to be majorly funded through internal accurals.

With exhibition of healthy financial performance in H1FY17 (refers to period April 01, to September 30,) (robust gross cash accurals levels and favourable gearing ratio) the funding of acquisition and buyback of shares is not expected to impact the overall financial risk profile of the company.

At consolidated level, the company reported Profit After Tax (PAT) of Rs. 103.40 crore on Total Operating Income (TOI) of Rs. 940.55 crore in FY16 (refers to period April 01 to March 31) as compared to PAT of Rs. 130.37 crore on TOI of Rs. 980.60 crore in FY15.

At standalone level, the company reported PAT of Rs. 127.84 crore on TOI of Rs. 942.55 crore in FY16 as compared to PAT of Rs. 129.31 crore on TOI of Rs. 961.06 crore in FY15. Further, the company reported PAT of Rs. 132.24 crore on TOI of Rs. 731.98 crore in H1FY17 as compared to PAT of Rs. 109.37 crore on TOI of Rs. 633.46 crore in H1FY16.

Analyst Contact

Name: Divyesh Shah
Tel: 022-6754 3441
Mob: 98909 34167
Email: divyesh.shah@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

CONTACT

Head Office Mumbai

Mr. Amod Khanorkar
Mobile: + 91 98190 84000
E-mail: amod.khanorkar@careratings.com

Mr. Saikat Roy
Mobile: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Mehul Pandya
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-98242 56265
Tel: +91-79-4026 5656
E-mail: mehul.pandya@careratings.com

BENGALURU
Mr. Deepak Prajapati
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-9099028864
Tel: +91-80-4115 0445, 4165 4529
E-mail: deepak.prajapati@careratings.com

CHANDIGARH
Mr. Sajan Goyal
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: sajan.goyal@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr.Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691