December 22, 2015

CARE REAFFIRMS RATINGS ASSIGNED TO BANK FACILITIES & INSTRUMENTS OF NAVNEET EDUCATION LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term /Short-term bank limits	302.00 (enhanced from 15.00)	CARE AA+/CARE A1+ [Double A Plus/A One Plus]	Reaffirmed
Total	**302.00 (Rupees Three Hundred and Two crore Only)**		
Short Term Debt (STD) programme(including Commercial Paper (CP) issue)*	200.00	CARE A1+ [A One Plus]	Reaffirmed
Total	**200.00 (Rupees Two Hundred crore only)**		

Rating Rationale

The reaffirmation of rating assigned to bank facilities & instruments of NEL continues to factor long experience of its promoters, NEL's well-established market presence & strong brand recognition in the states of Maharashtra & Gujarat towards publication related to State Secondary Certificate (SSC) board, healthy operational performance translating into improved debt coverage indicators and robust capital structure of the company.

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 make inroads in other national & state level boards and any support/investment to group/associate companies impacting NEL's overall financial risk profile remains key rating sensitivities.

Background

Incorporated in 1984, NEL's (formerly Navneet Publications (India) Ltd; CIN: L22200MH1984PLC034055) 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 company also publishes various titles in the children and general books category such as coloring and activity books, board books, story books and books on health & hygiene, art & artist, cooking, mehendi, embroidery, etc. The publication segment accounts for about 55%-60% of the company's revenues.

In 1993, the company ventured into paper based stationery with products such as tight bound note books, long books, hard case bound books and drawing books; catering to domestic as well as overseas markets.

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

Further in 2006, NEL diversified to non-paper based stationery such as pencils, erasers, sharpeners, rulers, compass boxes & art materials etc. The stationary segment accounts for 40% - 45% of total 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 Mumbai, provides digital learning solutions through its subsidiary (eSense Learning Pvt Ltd) and holds 24% stake in K-12 Techno Services Private Limited (through Navneet LLP), which is into School Management managing 48 Gowtham Model Schools in different cities of Andhra Pradesh majorly Hyderabad and 12 Orchids-International Schools in Bangalore, Mumbai, Pune and Hyderabad.

NEL, at consolidated level reported Profit After Tax (PAT) of Rs. 130.37 crore on Total Operating Income (TOI) of Rs. 980.60 crore in FY15 (refers to period April 01, to March 31,) as compared to PAT of Rs. 115.16 crore on TOI of Rs. 884.68 crore in FY14.

Further, the company at standalone level reported PAT of Rs. 108.91 crore on TOI of Rs. 633.73 crore in H1FY16 (refers to period April 01, to September 30,) as compared to PAT of 101.80 crore on TOI of Rs. 641.48 crore in H1FY15.

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****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.

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