

MARCH 12, 2015

CARE ASSIGNS 'CARE A1+' RATINGS TO SHORT TERM DEBT PROGRAMME (INCLUDING CP ISSUE) OF NAVNEET EDUCATION LTD.

Ratings

Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Short Term Debt Programme (including Commercial Paper issue)	200.00*	CARE A1+ (A One Plus)	Assigned

* Overall, the Short Term Debt (including Commercial Paper) borrowings of the company shall not exceed Rs.200 crore.

Rating Rationale

The rating assigned to Short Term Debt programme of Navneet Education Limited. (NEL) factors in substantial experience of its promoters, NEL's well-established market presence & strong brand recognition in the states of Maharashtra & Gujarat, consistent revenue growth with stable profitability margins and robust capital structure of the company.

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

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 remain the key rating sensitivities.

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 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 while stationery segment accounts for 40%-45%. 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 Pvt. Ltd, which owns and operates 52 schools in Andhra Pradesh, 6 in Karnataka and 3 in Mumbai.

NEL registered total income of Rs.885 crore and net profit of Rs.115 crore in FY14 (refers to period April 01 to March 31) as against total income of Rs.810 crore and net profit of Rs.107 crore in FY13.

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

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

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