MAY 20, 2015

CARE ASSIGNS RATINGS TO BANK FACILITIES AND REAFFIRMS RATING ASSIGNED TO SHORT TERM DEBT PROGRAMME INCLUDING COMMERCIAL PAPER ISSUE OF NAVNEET EDUCATION LTD.

Ratings

Instruments	Amount (Rs. crore)	Ratings[1]	Remarks
Proposed LT/ST bank facilities	15.00	CARE AA+/CARE A1+ (Double A Plus/A One Plus)	Assigned
Short Term Debt Programme (including Commercial Paper issue)	200.00*	CARE A1+ (A One Plus)	Reaffirmed

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

Rating Rationale

The ratings factor in substantial experience of Navneet Education Limited (NEL)'s promoters, its 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 states 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 (formerly Navneet Publications (India) Ltd) operates in 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, 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) on consolidated basis as against total income of Rs.810 crore and net profit of Rs.107 crore in FY13.

During 9MFY15, the company registered PAT of Rs.113 crore on operating income of Rs.778 crore on standalone basis.

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

****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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