

Sanjiv Prakashan

January 02, 2019

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	15.71	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Total facilities	15.71 (Rupees fifteen crore and seventy one lakh only)		

Detailed Rationale & Key rating Drivers

The rating assigned to the bank facilities of Sanjiv Prakashan (SPR) continue to take comfort from the vast experience of the partners in the publishing industry with special focus on guidance books for schools and universities, its established track record of operations, renowned brand name in Rajasthan with strong marketing network, healthy profitability margins and moderate solvency position.

These strengths continue to partially offset from its constitution as a partnership concern with an inherent risk of withdrawal of capital, elongated operating cycle and vulnerability of margins to fluctuations in the prices of paper along with competition from other publication houses, coaching classes, free content available on internet, etc.

The ability of SPR to increase its scale of operations while maintaining its profitability and improvement in solvency position with better management of working capital would be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses

Working capital intensive nature of business

The business of the firm is highly working capital intensive in nature marked by elongated operating cycle of 155 days in FY18. Further, the average of maximum utilization of working capital bank borrowings stood at 75% during last 12-months ended November, 2018. The cash and bank balances stood at 1.26 crore as on March 31, 2018 as against Rs.0.70 crore as on March 31, 2017.

Vulnerability of margins to fluctuation in prices of the paper

The main raw materials used by SPR for publishing books are paper which constitutes a significant portion of total cost of sales. Price for raw-paper are volatile in nature since production is highly dependent on agro cultivation and paper being the global commodity is affected by global demand supply mismatch, thus which may put pressure on profitability of the firm.

Key Rating Strengths

Established brand image with established market position in all over Rajasthan

Owing to long standing presence in the industry, SPR has garnered a good brand image and has established network of dealers which provides it a competitive advantage over other publishers. The firm sells its guidance books in the name of "Sanjiv Passbook" and is a popular brand in Rajasthan.

Further, the firm has strong marketing team who stay in touch with schools for promotion of passbooks. The firm's marketing efforts are further supported by an extensive distribution network of more than 150 dealers with almost 6,000 book sellers making its publications easily available to students across all cities and villages of Rajasthan.

Significant growth in Total Operating Income (TOI)

During FY18 (FY refers to the period from April 1 to March 31), TOI of the firm has increased by 26.44% over FY17 (53.30% in FY17 over FY16) on account of increase in sales volume of passbooks due to revision in courses which led to higher sales of fresh passbooks during the year as compared to usage of second hand passbooks. For AY17-18 (AY refers to the period from July 1 to June 30), Rajasthan Board of Secondary Education (RBSE) had introduced new course curriculum for class I – XII.

Healthy profitability and Gross Cash Accruals

The profitability margins of the firm continue to remain healthy with PBILDT and PAT margin of 13.81% and 4.51% respectively during FY18. With increase in PBILDT margin along with proportionate lower depreciation and interest cost, PAT margin of the firm has improved by 80 bps in FY18 over FY17.

Moderate solvency position

The capital structure of the firm stood moderate with an overall gearing of 1.71 times as on March 31, 2018, improved from 2.50 times as on March 31, 2017 mainly on account of accretion of profits to reserves which offset to an extent with increase in unsecured loans. Further, the debt service coverage indicators stood moderate with total debt to GCA of 7.27 times as on March 31, 2018 and interest coverage ratio at 2.38 times in FY18.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology-Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

Background of the Company

Jaipur (Rajasthan) based Sanjiv Prakashan (SPR) was formed in 1993 as a partnership concern by Mr. Manoj Mittal and Mr. Pradeep Mittal. SPR is a renowned educational publishing house and is engaged in the publishing of passbooks (guidance books for main course curriculum) for schools and universities. It sells all the passbooks under the brand name of "Sanjiv Passbook" and has more than 200 titles across segments. "Sanjiv Passbook" provides solution to the questions relevant for examination in the simple and easy language to the students. It publishes passbooks for school from III standard to XII standard based on Rajasthan Board of Secondary Education (RBSE) curriculum in all the subjects and publishes passbooks for Rajasthan University for its courses like Bachelor of Arts (BA), Master of Arts (M.A.) and Masters of Education (M. Ed). It outsources its entire printing requirement to printers in and around Jaipur.

Further, the firm set up a 2.00 Megawatt (MW) solar power plant at Kolayat (Rajasthan) under Renewable Energy Certificate (REC) mechanism. It entered into Power Purchase Agreement (PPA) with Jodhpur Vidhyut Vitran Nigam Limited [JdVVNL, rated CARE A+ (SO); Stable] for supply of entire electricity produced by the plant valid till March 31, 2019.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	78.83	99.68
PBILDT	10.48	13.76
PAT	2.92	4.49
Overall gearing (times)	2.50	1.71
Interest coverage (times)	2.17	2.38

(A: Audited)

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Note on complexity levels of the rated instrument: 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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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	March-2022	5.21	CARE BBB-; Stable
Fund-based - LT-Cash Credit	-	-	-	10.50	CARE BBB-; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	5.21	CARE BBB-; Stable	-	1)CARE BBB-; Stable (02-Feb-18)	1)CARE BBB-; Stable (07-Dec-16)	1)CARE BBB- (25-Nov-15) 2)CARE BBB- (24-Jun-15)
2.	Fund-based - LT-Cash Credit	LT	10.50	CARE BBB-; Stable	-	1)CARE BBB-; Stable (02-Feb-18)	1)CARE BBB-; Stable (07-Dec-16)	1)CARE BBB- (25-Nov-15) 2)CARE BBB- (24-Jun-15)

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