

Sanjiv Prakashan

February 02, 2018

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	17.00	CARE BBB- ; Stable (Triple B Minus; Outlook:Stable)	Reaffirmed
Total	17.00 (Rupees Seventeen crore only)		

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Sanjiv Prakashan (SPR) continues 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.

The rating, however, continues to remain constrained on account of SPR's 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 will be the key rating sensitivities.

Detailed description of the key rating drivers

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.

Significant growth in Total Operating Income (TOI)

During FY17, TOI of the firm has grown by 53.30% over FY16 attributable primarily to increase in sales volume of passbooks due to revision in courses which led to higher sales of fresh passbooks in the market as compared to the consumption of second hand passbooks.

Strong profitability and Gross Cash Accruals

The profitability margins of the firm continue to remain healthy with PBILDT and PAT margin of 13.29% and 3.71% respectively during FY17. The GCA of the firm has improved by 22.18% in FY17 over FY16 and registered at Rs.3.84 crore in FY17.

Moderate solvency position

The capital structure of the firm stood moderate with an overall gearing of 2.50 times as on March 31, 2017, deteriorated from 2.15 times as on March 31, 2016 mainly on account of increase in unsecured loans to support the scale of operations which offset to an extent with withdrawal of capital by partners. Further, the debt service coverage indicators stood moderate with total debt to GCA of 10.28 times as on March 31, 2017 and interest coverage ratio of 2.17 times in FY17.

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

Key Rating Weaknesses

Working capital intensive nature of business

The operating cycle of the firm stood elongated due to higher inventory holding period owing to its seasonal nature of the business. The peak season of the firm starts from December-January when it starts procuring paper and prints the books by January – February. The sales start for school books in April and May and for college books in June and July. Further, the liquidity ratios of the firm stood comfortable marked by current and quick ratio of 2.96 times and 1.45 times respectively as on March 31, 2017. Further, the average maximum utilization of working capital bank borrowings stood at 76.45% during last twelve months ended November, 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.

Analytical Approach: Standalone

Applicable Criteria

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

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

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

[Rating Methodology-Manufacturing Companies](#)

About 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 standard III to standard XII based on Rajasthan Board of Secondary Education (RBSE) curriculum in all the subjects. Further, it also publishes passbooks for universities like Rajasthan University for B.A., M.A. and M. Ed courses. It outsources its entire printing requirement to printers in and around Jaipur. The promoters of SPR also promoted Mittal Prakashan Private Limited (MPPL; incorporated in 1997), Jaipur Ruby Hotel & Resorts Private Limited (JRHRPL; incorporated in 2008), Adarsh Prakashan (ADP; formed in 2010) and Anand International College of Engineering (AICE; formed in 2010).

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)] for supply of entire electricity produced by the plant valid till March 31, 2019.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	51.42	78.83
PBILDT	8.13	10.48
PAT	1.89	2.92
Overall gearing (times)	2.15	2.50
Interest coverage (times)	2.14	2.17

A: Audited

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for 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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About CARE Ratings:

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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	6.50	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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	6.50	CARE BBB-; Stable	-	1)CARE BBB-; Stable (07-Dec-16)	1)CARE BBB-(25-Nov-15) 2)CARE BBB-(24-Jun-15)	1)CARE BBB-(15-May-14)
2.	Fund-based - LT-Cash Credit	LT	10.50	CARE BBB-; Stable	-	1)CARE BBB-; Stable (07-Dec-16)	1)CARE BBB-(25-Nov-15) 2)CARE BBB-(24-Jun-15)	1)CARE BBB-(15-May-14)

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