April 29, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	**10.44**	**SMERA B+/Stable (Assigned)**
Cash Credit*	**21.00**	**SMERA B+/Stable (Assigned)**
Letter of Guarantee	**4.00**	**SMERA A4 (Assigned)**
Letter of Credit	**4.00**	**SMERA A4 (Assigned)**

**Includes Packing Credit as a sublimit to the extent of Rs.2.58 crore; FDBP/FUDBP as a sublimit to the extent of Rs.4.70 crore; and Bills Discounting under Letter of Credit as a sublimit to the extent of Rs.10.00 crore*

SMERA has assigned a long-term rating of **'SMERA B+' (read as SMERA single B plus)** and a short-term rating of **'SMERA A4' (read as SMERA A four)** to the abovementioned bank facility of Aravali Printers and Publishers Private Limited (APPPL). The outlook is **'Stable'**. The ratings are supported by the company's long track record of operations and experienced management. The ratings also draw comfort from the company's healthy revenue growth and comfortable profit margins. However, the ratings are constrained by the company's working capital intensive-operations, stretched liquidity position and moderate financial risk profile. The ratings note that the company's profit margins are exposed to competitive pressures and material price volatility.

APPPL, incorporated in 1982, is a Delhi-based company engaged in providing offset printing services. APPPL benefits from its experienced management. The directors of the company have around three decades of experience in the printing industry. APPPL's revenue has increased at a healthy compound annual growth rate (CAGR) of ~24 per cent during FY2010–11 to FY2013–14. The company has maintained stable operating profit margins of ~13–14 per cent during the past three years. APPPL has registered healthy return on capital employed (RoCE) of 19.09 per cent in FY2013–14.

APPPL's operations are working capital-intensive with gross current assets of 195 days and collection period of 146 days in FY2013–14. The company's utilisation of cash credit limit was high at ~100 per cent during the three months ended March 2015. APPPL's overall gearing (total outside liabilities to tangible net worth ratio) is high at 3.00 times as on March 31, 2014. The company's management plans to set up a new factory unit in Delhi. The project cost is estimated at Rs.17.00 crore, which is likely to be funded through debt of ~Rs.8.50 crore and promoters' funds (including internal accruals) of ~Rs.8.50 crore. APPPL faces intense competition from several players in the printing industry. The company's profit margins are susceptible to volatility in material prices.

Rating sensitivity factors:

- Higher-than-expected debt funded capital expenditure
- Lower-than-expected net cash accruals on account of underutilisation of new capacity

Outlook: Stable

SMERA believes APPPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers sustained improvement in financial risk profile and liquidity position. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenue or profit margins, or in case of deterioration in the company's financial risk profile on account of large working capital requirements or debt-funded capex.

About the company

APPPL, incorporated in 1982, is a Delhi-based company promoted by members of the Goel family. APPPL undertakes offset printing, which includes printing of books, magazines and brochures. The company has two printing press facilities in Okhla Industrial Estate (New Delhi) and Faridabad (Haryana). APPPL mainly caters to customers in India. The company derived ~19 per cent of its revenues (in FY2013–14) from exports to countries including Ghana and Ethiopia.

For FY2013–14, APPPL reported net profit of Rs.2.82 crore on operating income of Rs.86.84 crore, as compared with net profit of Rs.2.60 crore on operating income of Rs.81.60 crore in FY2012–13. The company's net worth stood at Rs.19.48 crore as on March 31, 2014, as compared with Rs.15.89 crore a year earlier.

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