

June 22, 2015

Facility	Amount (Rs. Crore)	Rating
Cash Credit	5.50	SMERA B+/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B+**' (**read as SMERA single B plus**) to the abovementioned bank facility of Trend Setters Books Limited (TSBL). The outlook is '**Stable**'. The rating is constrained by the company's working capital-intensive operations and high gearing (debt-equity ratio). The rating is also constrained by the company's modest-scale operations in an intensely competitive segment of the publishing industry. However, the rating draws comfort from the company's experienced management and healthy operating profit margins.

TSBL, incorporated in 2008, is Delhi-based company engaged in publishing of school books. TSBL has high working capital requirements with gross current assets (GCA) of ~370 days (three-year average). The company's cash credit utilisation was high at ~89 per cent during January 2014 to February 2015.

TSBL's gearing (debt-equity ratio) is high at 1.73 times as on March 31, 2014. The company's total debt of Rs.8.13 crore (as on March 31, 2014) includes subordinated unsecured loans of Rs.1.25 crore from related parties. SMERA has treated such unsecured loans as quasi-equity. TSBL has modest-scale operations with revenues of Rs.23.25 crore in FY2013-14 (refers to financial year, April 01 to March 31). The company faces intense competition from several players in the publishing industry.

TSBL benefits from its experienced management. Mr. Pradeep Kumar Bubna, director of TSBL, has around two decades of experience in the publishing industry. TSBL reported healthy operating profit margin of 10.26 per cent in FY2013-14 (8.94 per cent in the previous year).

Outlook: Stable

SMERA believes TSBL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers significant improvement in profitability, cash accruals and working capital management. The outlook may be revised to 'Negative' in case of substantial decline in the company's revenues and cash accruals, or in case of stretch in the company's working capital cycle.

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About the company

TSBL, incorporated in 2008, is a Delhi-based company promoted by Mr. Pradeep Kumar Bubna. TSBL is engaged in publishing of school books (for Nursery – Class VIII).

For FY2013–14, TSBL reported profit after tax (PAT) of Rs.0.57 crore on operating income of Rs.23.25 crore, as compared with PAT of Rs.0.48 crore on operating income of Rs.20.51 crore in the previous year. The company's net worth stood at Rs.3.99 crore (including unsecured loan of Rs.1.61 crore) as on March 31, 2014, as compared with Rs.3.77 crore (including unsecured loan of Rs.1.25 crore) a year earlier.

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