

Press Release

Ravi Publishers

29 August, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 13.50 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA double B minus**) on the Rs. 13.50 crore bank facilities of Ravi Publishers. The outlook is '**Stable**'.

Ravi Publishers (RP) is a Vijaywada-based proprietorship firm engaged in the publishing of school books in Tamil, Malayalam, Telugu and Kannada. The firm established by Mr. Makkena Anjaneya Rao, commenced operations in 1988.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

The promoter Mr. Makkena Anjaneya Rao has around three decades of experience in the publishing industry. RP has established healthy relations with customers and suppliers across the states of Andhra Pradesh, Tamil Nadu, Kerala and Karnataka.

- **Average financial risk profile**

The average financial risk profile is marked by low net worth, moderate gearing and comfortable debt protection metrics. The net worth stood low at Rs.6.91 crore in FY2016 compared to Rs 6.16 crore in FY2015. The gearing decreased marginally to a moderate 1.15 times in FY2016 compared to 1.19 times in FY2015. The interest coverage ratio (ICR) stood at 1.97 times in FY2016 compared to 1.93 times in FY2015. For FY2017 (Provisional) the gearing stood at 1.06 times and ICR at 2.16 times. The Debt Service Coverage ratio (DSCR) stood at 1.97 times in FY2016 as against 1.93 times in FY2015. The Net cash accruals to total debt (NCA/TD) stood comfortable at 0.13 times in FY2016 and 0.11 times in FY2015. SMERA believes that the financial risk profile of the firm would be sustained over the medium term backed by consistent growth and consistent accruals.

Weaknesses

- **Moderate scale of operations**

The firm operates at a modest scale with revenue of Rs.16.94 crore in FY2016 and Rs.15.32 crore in FY2015. The firm registered revenue of around Rs.17 crore in FY2017 (Provisional).

- **Working capital intensive operations**

The operations are working capital intensive marked by high Gross Current Asset (GCA) days of 244 and 243 in FY2016 and FY2015 respectively. This is mainly on account of high inventory days (150 days and 158 days in FY2016 and FY2015 respectively), as the firm has to maintain significant amount of raw material (paper) inventory. The entity also has to maintain significant amount of finished goods inventory (books) to cater to the demand of book shops and schools. The debtor days stood at 93 days and 64 days in FY2016 and FY2015 respectively.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the firm.

Outlook: Stable

SMERA believes that the outlook on RP will remain stable over the medium term owing to its experienced management and long track record of operations. The outlook may be revised to 'Positive' in case of more than envisaged sales and profitability while efficiently managing its working capital cycle and improving its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving the envisaged revenue, profitability or if the working capital cycle gets further stretched.

About the Rated Entity - Key Financials

The firm reported (Profit after Tax) PAT of Rs 1.02 crore against operating income of Rs.16.94 crore in FY2016 compared to PAT of Rs.0.82 crore on operating income of Rs.15.32 crore in FY2015.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	30-Apr-2023	6.50	SMERA BB- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA BB- / Stable

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