October 21, 2022

Brijbasi Art Press Limited: Ratings reaffirmed for existing limits and assigned for enhanced limits

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term loan	0.85	2.55	[ICRA]BB (Stable) reaffirmed/assigned
Long-term-Packing credit/ Cash credit	26.85	37.00	[ICRA] BB(Stable) reaffirmed/assigned
Short-term- LC & BG	6.30	0.60	[ICRA]A4+ reaffirmed
Long-term -Unallocated limits	-	0.85	[ICRA]BB (stable); assigned
Total	**34.00**	**41.00**	

**Instrument details are provided in Annexure I*

Rationale

The rating reaffirmation continue to factor in the promoter's extensive experience and BAPL's established operational track record in exporting children's books, along with its strong customer and supplier relationships. The company's plant is equipped with end-to-end publishing facilities such as content creation, designing, layout, printing, binding and publishing. It also possesses a strong in-house content development team, which adds strength to its competitive position. The ratings factor in the stable long-term demand outlook for the company's products.

The ratings, however, are constrained by the company's moderate financial profile characterized by thin operating profit margins and modest debt coverage indicators, The ratings, further, take into account the exposure of the company's profitability margins to volatilities in raw material prices and foreign exchange rates in absence of any firm hedging policy, given the company's export dominated revenue profile. ICRA notes that the children's book publishing industry is dominated by unorganised players offering economical book publishing solutions. This exposes the organised players like BAPL to intense competition, especially during economic downturns when clients select for cheaper print solutions. ICRA also factors in the possible long-term impact on BAPL's business and margins from the increased usage of electronic media.

The Stable outlook on the rating reflects ICRA's opinion that BAPL will continue to benefit from the extensive experience and long track record of its promoters in the printing and children's book publishing industry, and its established relationship with its customers and suppliers.

Key rating drivers and their description

Credit strengths

Promoter's extensive experience and established operational track record of the company: The company has been in the printing and publishing business for more than two decades. The promoter family has been involved in the business since 1922. Over the years it has established its brand name in the industry, mainly in the exports market which constitutes about 80-90% of its revenues on an average. Promoter's extensive experience and established operational track record of the company have helped it to build strong customer and supplier relationships, which have resulted in smooth flow of operations over the years.

Integrated printing solutions: BAPL's plant is equipped with end-to-end printing facilities such as content creation, designing, layout, printing and binding. It has a strong in-house content development team, which also improves its competitive position.

Further, the company's units are subject to social audits by Disney, Business Social Compliance Initiative (BSCI), etc. The products used in book publishing (including ink, glue, paper, etc.) are tested for security and safety before being dispatched, which is one of the pre-requisites for exports

Credit challenges

Moderate financial profile: The company's financial profile is moderate as reflected in its thin operating profit margins which have remained in the range of 4-6% in the last five fiscals. The same declined to 3.8% in FY2022 from 4.6% in FY2023. The company's debt coverage indicators, though witnessed some improvement, remained moderate as reflected by TD/OPBDITA at 4.9 times (previous year: 5.8 times) and interest coverage of 3.7 times (previous year: 2.2 times).

Exposure of profitability margins to volatilities of raw material prices and foreign exchange rates: The main raw material for BAPL is paper, the price of which have been volatile. The material cost accounts for around 75% of the total output. Thus, the profitability margins of BAPL remain susceptible to the raw material price volatility. Further, exports account for ~80-90% of the company's total sales, which exposes its profitability to adverse movements in foreign exchange rates in the absence of an adequate hedging mechanism.

Exposure to competition in industry: The printing industry is dominated by unorganised players offering cheap and low-quality printing solutions. As a result, organised players such as BAPL face intense competition, especially during economic downturns when clients opt for cheaper print solutions. The company also faces threat from alternative media for the activity books segment and rampant piracy. BAPL's ability to adapt to the transition faster than its competitors remains critical since the advancement may render its products obsolete or it may lose its competitive edge and market share.

Liquidity position: Stretched

BAPL's liquidity position is **Stretched** on evident from its thin cash flows from operations and limited cushion available in the form of undrawn fund based working capital limits and cash balances. Nonetheless, absence of any large debt funded capex and limited long-term debt repayments offer some comfort.

Rating sensitivities

Positive factors: – ICRA could upgrade BAPL's rating if the company demonstrates a sustained increase in its revenues and profitability along with an improvement in its liquidity and debt coverage metrics.

Negative factors– Pressure on BAPL's rating could arise if there is a significant decline in revenues or profitability or stretch in working capital cycle or a large debt funded capital expenditure without commensurate returns impacts the company's liquidity and debt coverage indicators.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/group support	Not applicable
Consolidation/standalone	Standalone

About the company

BAPL, based in New Delhi, is a closely-held company of the Garg family. Mr. M. L. Garg and his two sons, Mr. Saurabh Garg and Mr. Apurv Garg manage the business operations. The company is involved in publishing children's books, calendars and posters, apart from undertaking commercial printing orders for corporate and book publishing houses. BAPL began as a partnership firm in 1988 and was subsequently converted into a limited company in April 1993. Its printing units are situated at Okhla in Delhi, Noida and Greater Noida in Uttar Pradesh.

Key financial indicators

BAPL Standalone	FY2021 (Audited)	FY2022 (provisional)^
Operating income (Rs. crore)	122.2	193.3
PAT (Rs. crore)	3.2	4.1
OPBDIT/OI (%)	4.6%	3.8%
PAT/OI (%)	2.6%	2.1%
Total outside liabilities/Tangible net worth (times)	1.9	2.3
Total debt/OPBDIT (times)	5.8	4.9
Interest coverage (times)	2.2	3.7

Prov. – Provisional; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

^FY2022 figures are provisional figures

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as on March 31, 2022 (Rs. crore)	Date & Rating on	FY2022	FY2021	FY2020
					October 21, 2022	August 31, 2021	February 04, 2020	March 15, 2019
1	Term loan	Long-term	2.55	1.33	[ICRA]BB (Stable)	[ICRA]BB(Stable)	[ICRA]BB (Negative)	[ICRA]BB+; &
2	Packing credit/ cash credit	Long-term	37.00	31.33	[ICRA]BB (Stable)	[ICRA]BB(Stable)	[ICRA]BB (Negative)	[ICRA]BB+; &
3	LC & BG	Short-term	0.60	-	[ICRA]A4+	[ICRA]A4+	[ICRA]A4	[ICRA]A4+; &
4	Unallocated limits	Long-term	0.85	-	[ICRA]BB (Stable)	-	-	-

&-under watch with developing implications

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long-term – Fund-based term loan	Simple
Long-term – Fund-based-Packing credit/Cash credit	Simple
Short-term – LC &BG	Simple
Long-term-Unallocated limits	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: www.icra.in

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan	FY2019	-	FY2024	2.55	[ICRA]BB (Stable)
NA	Packing credit/Cash credit	NA	-	NA	37.00	[ICRA]BB (Stable)
NA	LC & BG	-	-	-	0.60	[ICRA]A4+
NA	Unallocated limits	-	-	-	0.85	[ICRA]BB(Stable)

Source: BAPL and ICRA

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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