

January 19, 2024

Brijbasi Art Press Limited: Ratings reaffirmed

Summary of rating action

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

*Instrument details are provided in Annexure I

Rationale

The ratings reaffirmation for the bank facilities of Brijbasi Art Press Limited (BAPL) continues to factor in the promoter's extensive experience and the company's established operational track record in exporting children's books, along with its strong customer and supplier relationships. The ratings consider the estimated improvement in operating income (OI) by 13-15% in FY2024 (PY: Rs. 214.4 crore), backed by increased demand from both international and domestic markets, along with expansion into newer markets. BAPL has an outstanding order book of Rs. 165 crore as of 8M FY2024. Its 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, however, are constrained by the company's moderate financial profile, characterised by high leverage position, moderate operating margins and debt coverage metrics. BAPL's leverage, Total Debt/Operating profit (TD/OPBITDA), is projected to be around 4.6 times as of March 2024 (5.1 times as of March 2023) due to the high working capital intensity on account of elevated inventory period. Notwithstanding the estimated improvement in its operating margins in FY2024, supported by moderation in raw material prices, the margins are likely to remain moderate at around 4.5%-5%. The total debt is expected to increase by 10% as of March 2024 to meet the working capital requirements. BAPL's interest coverage is estimated to moderate to 3.3 times as of March 2024 from 3.8 times as of March 2023. The ratings note the company's exposure to volatility in raw material prices and foreign exchange rates in the absence of any firm hedging policy, given the export-dominated revenue profile. ICRA notes that the children's book publishing industry is dominated by unorganised players offering economical book publishing 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 long-term rating reflects ICRA's expectation that the company will sustain its revenue growth and will continue to benefit from the long track record of its promoters in the printing and children's book publishing industry.

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. The promoter's extensive experience and BAPL's established operational track record helped it to build strong customer and supplier relationships, which resulted in smooth flow of operations over the years.

Expected improvement in revenues in FY2024 – BAPL recorded an estimated improvement in OI by 13-15% in FY2024 (PY: Rs. 214.4 crore), backed by increase in demand from both international and domestic markets, along with expansion into newer markets in Latin America. It has an outstanding order book of Rs. 165 crore as of 8M FY2024. The company's OI grew by ~12% in FY2023 and has reported revenue of Rs. 160 crore in 8M FY2024.

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 moderate financial profile is characterised by high leverage position, moderate operating margins and debt coverage metrics. BAPL's leverage, Total Debt/Operating profit (TD/OPBITDA), is projected to be around 4.6 times as of March 2024 (5.1 times as of March 2023) due to the high working capital intensity of 31.5% on account of its elevated inventory period. Despite the estimated improvement in operating margins in FY2024, supported by moderation in raw material prices, the margins are likely to remain moderate at around 4.5%-5%. The total debt is expected to increase by 10% (P.Y.: Rs. 47.2 crore) as of March 2024 to meet the working capital requirements. BAPL's interest coverage is estimated to moderate to 3.3 times as of March 2024 from 3.8 times as of March 2023.

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, its profitability remains susceptible to 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 as evident from its average high working capital utilisation of 90% in the last 17 months, and minimal cash balances. The company has sizeable debt obligations (principal repayments and interest) of Rs. 5.31 crore in FY2024 and Rs. 5.89 crore in FY2025, respectively, compared to expected cash flow from operations of Rs. 5.9 crore and Rs. 6.7 crore in FY2024 and FY2025, respectively.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if BAPL demonstrates a sustained increase in its revenues and profitability, along with an improvement in its working capital cycle resulting in improvement in liquidity and debt coverage metrics.

Negative factors – Pressure on BAPL's ratings 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 impacting its 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

Brijbasi Art Press Limited, 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	FY2022 (Audited)	FY2023 (Audited)
Operating income (Rs. crore)	191.3	214.4
PAT (Rs. crore)	4.4	5.6
OPBDIT/OI (%)	3.7%	4.3%
PAT/OI (%)	2.3%	2.6%
Total outside liabilities/Tangible net worth (times)	2.3	2.2
Total debt/OPBDIT (times)	5.1	5.1
Interest coverage (times)	3.6	3.8

Source: Company, ICRA Research; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as on March 31, 2023 (Rs. crore)	Date & Rating on	FY2023	FY2022	FY2021
					January 19, 2024	October 21, 2022	August 31, 2021	February 04, 2020
1	Term loan	Long-term	2.55	1.65	[ICRA]BB (Stable)	[ICRA]BB (Stable)	[ICRA]BB (Stable)	[ICRA]BB (Negative)
2	Packing credit/ cash credit	Long-term	37.00	-	[ICRA]BB (Stable)	[ICRA]BB (Stable)	[ICRA]BB (Stable)	[ICRA]BB (Negative)
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)	[ICRA]BB (Stable)	-	-

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	Very 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: [Click Here](#).

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 the 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:

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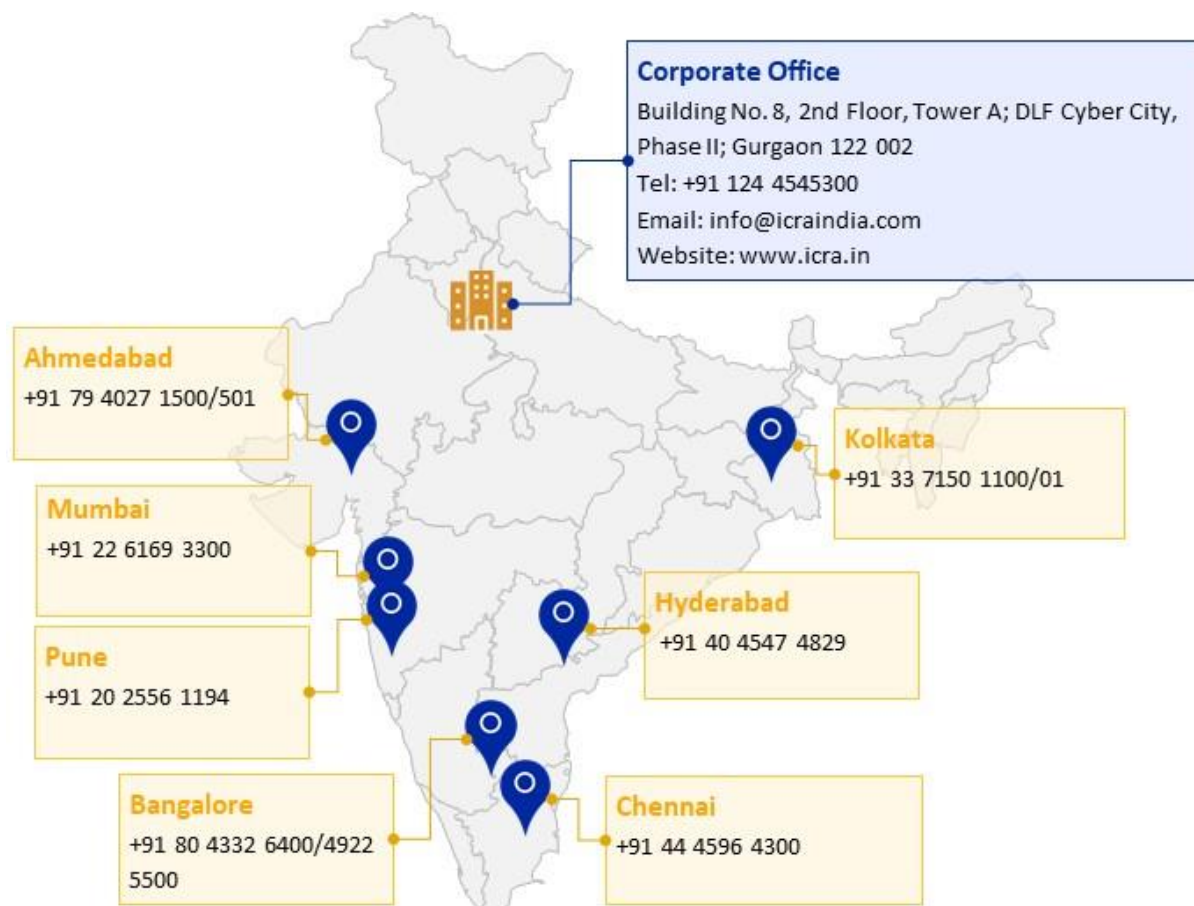


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