January 28, 2025 (Revised)

Chetana Education Limited: Long-term rating upgraded to [ICRA]BB+(Stable); short-term rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Cash credit	30.00	30.00	[ICRA]BB+ (Stable); upgraded from [ICRA]BB (Stable)
Short-term – Non-fund based – Letter of credit*	(5.00)	(5.00)	[ICRA]A4+; reaffirmed
Long-term/Short-term – Unallocated limits	10.00	5.10	[ICRA]BB+ (Stable); upgraded from [ICRA]BB (Stable) /[ICRA]A4+; reaffirmed
Short-term - Overdraft	-	4.90	[ICRA]A4+; reaffirmed
Total	**40.00**	**40.00**	

**Instrument details are provided in Annexure-I; *Sub-limit of cash credit*

Rationale

The upgrade in the long-term rating factors in the significant reduction in Chetana Education Limited's (Chetana) debt levels from the proceeds of IPO, which along with higher operating profits is likely to result in comfortable debt protection metrics in FY2025 and FY2026. The company reported 24% growth in operating income (OI) in FY2024 to Rs. 93.5 crore, backed by increase in the number of schools catered across Maharashtra and other states, while its operating profit margins (OPM) stood healthy at 22.7%, supported by growing sales of high margin QR code book. In H1 FY2025, it has reported Rs. 58.1 crore of revenues at OPM of 26.9%. ICRA expects the company's OI to grow by ~15% in FY2025, while maintaining the OPM at 21-22%. Chetana raised Rs. 45.9 crore through IPO by listing its shares on NSE SME platform on July 31, 2024, which was partly deployed for repayment of borrowings (27% of total proceeds) and the remaining in working capital requirements and general corporate purpose. Consequently, the company's debt levels declined to Rs. 2.1 crore as of September 2024 from Rs. 52.0 crore as of March 2024, and comprised largely working capital borrowings. With low reliance on external debt, the leverage and debt coverage indicators are expected to remain comfortable with Total Debt/OPBDITA of ~1.15-1.2 times and around 1 times in FY2025 and FY2026, respectively, and interest coverage of above 10 times in both the years. The ratings factor in the extensive experience of the company's promoters in the publishing business, its established brand presence in Maharashtra, with its demonstrated acceptability in schools, wide distribution network and association with authors.

The ratings, however, are constrained by the moderate scale of the company's operations despite the recent revenue growth, and the geographical concentration with majority of revenues coming from Maharashtra. The ratings further remain constrained by the high working capital-intensive nature of the business, given the elongated receivables and inventory levels as reflected in NWC/OI of 76% in FY2024 and the seasonality in revenues. The ratings consider the susceptibility of its business to volatile raw material prices as well as the highly competitive and fragmented industry structure.

The Stable outlook on the long-term rating of [ICRA]BB+ reflects ICRA's opinion that Chetana's revenues will improve, supported by the established brand presence in schoolbooks in the target geography, while maintaining healthy profitability, comfortable leverage and debt coverage metrics.

Key rating drivers and their description

Credit strengths

Extensive track record of promoters in publishing business – The Chetana Group has been involved in the publishing business for the last four decades. Over the years, the Group has built strong content development capabilities. It primarily caters to the kindergarten to higher secondary school segment and has an extensive track record in catering to books pertaining to different boards.

Established brand in West India zone; acceptability with schools and association with authors – Chetana has more than 1,000 titles across education boards partnering with over 400 authors for content. It manages a distribution network of over 5,000 retailers and a workforce of over 500 employees across 22 branches, to ultimately cater to over 30,000 schools and educational institutes. The extensive distribution network and acceptability lends it a competitive advantage in the publishing segment.

Significant reduction in debt levels; improvement in revenues, operating profits and comfortable debt protection metrics – The company raised Rs. 45.9 crore through IPO by listing its shares on NSE SME platform on July 31, 2024, which was partly deployed for repayment of borrowings (27% of total proceeds) and the remaining in working capital requirements and general corporate purpose. Consequently, its debt levels declined to Rs. 2.1 crore as of September 2024 from Rs. 52.0 crore as of March 2024, and comprised largely working capital borrowings. With low reliance on external debt, the company's leverage and debt coverage indicators are expected to remain comfortable with Total Debt/OPBDITA of ~1.15-1.2 times and around 1 times in FY2025 and FY2026, respectively, and interest coverage of above 10 times in both the years. With 24% growth in OI in FY2024 to Rs. 93.5 crore, backed by increase in the number of schools catered across Maharashtra and other states, its OPM stood healthy at 22.7%, supported by asset light operations and growing sales of high margin QR code book. In H1 FY2025, the company has reported Rs. 58.1 crore of revenues and OPM of 26.9%. ICRA expects the OI to grow by ~15% YoY in FY2025, while maintaining the OPM at 21-22%.

Credit challenges

Moderate scale of operations with revenues concentrated in Maharashtra – Despite the recent growth, the company's scale of operations remains moderate with an expected OI of Rs. 105-110 crore in FY2024 (against Rs. 93.51 crore in FY2024). Its revenues are largely concentrated in Maharashtra, which accounted for 61% and 82% of the OI in FY2024 and H1 FY2025, respectively, exposing the company to geographical concentration risk.

High working capital-intensive business; susceptibility of profit margins to fluctuations in raw material prices – The company's working capital intensity remains high (NWC/OI of 76% for FY2024) on account of elevated receivables and inventory levels. The inventory is typically high during the pre-academic period of October to January, wherein the company plans its production for the next academic season. Sales typically start picking up from February (period of dispatch) till July (start of academic season), when the debtors are usually high. The collection starts subsequently and extends until December, wherein Chetana recovers the dues from the dealers, who deal with multiple bookstores and schools. Its operating profit margins remain susceptible to volatility in prices of paper, the key raw material.

Stiff competition from other publishing houses – The school book segment is diverse and intensely competitive due to presence of various boards. A separate body governing each board with a different syllabus provides opportunity to regional, state, and local content providers to cater to the respective affiliated schools. There are other established content providers like the National Council of Educational Research and Training (NCERT) and the State Council of Educational Research and Training (SCERT), which publish subsidised books prescribed by schools, especially Government schools.

Environmental and social risks

Environmental and social considerations – Chetana's operations are linked to the paper industry. Hence it is exposed to risks arising from tightening regulations on the environment and the safety front. Heightened environmental concerns may increase its raw material costs or moderate demand for printed materials in certain segments. The company aims at reducing the carbon footprint of multinational publishers via import substitution. It does not directly operate any manufacturing facilities and engages in responsible raw material procurement. Despite exposure to the environment and social risks, it does not materially affect its credit profile as of now.

Liquidity position: Adequate

The company's liquidity position is adequate. As of December 2024, it had a free cash and bank balance of Rs. 4.9 crore, and a lien free fixed deposit of Rs. 1.3 crore. Chetana had an average liquidity cushion of Rs. 13.4 crore in the sanctioned cash credit limits during April to December 2024 period. There are no long-term debt repayments and major capex plans in the near to medium term. Though the working capital intensity is elevated, the internal accruals and buffer in undrawn bank lines are expected to be largely sufficient in meeting the company's working capital requirements.

Rating sensitivities

Positive factors – Sustained and significant growth in revenues while maintaining healthy profitability, and improvement in working capital intensity, could lead to a rating upgrade.

Negative factors – Any significant decline in revenues and profitability, or substantial increase in indebtedness weakening the company's debt protection metrics could result in a rating downgrade. Additionally, further deterioration in its working capital cycle impacting the cash flows and liquidity position will negatively affect the rating.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Print Media
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Chetana Publication (India) LLP) (CPIL) was incorporated in December 2017 as an LLP firm and is a part of the Mumbai-based Chetana Group. It was formed after the business of its Group companies (Chetana Publications Private Limited and Chetana Book Depot) were transferred to CPIL. It has been renamed Chetana Education LLP with effect from October 2021. The firm was converted into a limited company in January 2024 and got listed on NSE-SME platform on July 31, 2024. The company has presence in school and college book publishing and manufacturing stationary items. The books are sold under the Chetana brand for pre-primary, Maharashtra State Board (English, Hindi, and Marathi medium), CBSE, college and various competitive exams. It has recently launched QR code books (physical books with QR codes providing a link to educational videos pertaining to the subject). Its registered office is in Mumbai, with a warehouse in Bhiwandi (on the outskirts of Mumbai).

Key financial indicators

Chetana Education Limited	FY2022	FY2023	FY2024*	H1 FY2025^
Operating income	43.09	75.56	93.51	58.10
PAT	3.80	12.44	11.75	10.10
OPBDIT/OI	13.48%	20.66%	22.65%	26.85%
PAT/OI	8.82%	16.46%	12.57%	17.38%
Total outside liabilities/Tangible net worth (times)	2.31	2.03	2.87	0.21
Total debt/OPBDIT (times)	6.59	2.70	2.45	0.07

Interest coverage (times)	3.44	5.59	5.83	9.87

*PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore; Source: Company, ICRA Research; *company operated as an LLP till January 21, 2024; ^ unaudited financials for H1 FY2025*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	**Type**	**Amount Rated (Rs. crore)**	**Jan 28, 2025**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Cash credit	Long Term	30.00	[ICRA]BB+ (Stable)	12-Dec-23	[ICRA]BB (Stable)	14-Mar-23	ICRA]BB- (Stable); ISSUER NOT COOPERATING	21-Mar-22	ICRA]BB- (Stable)
				19-May-23	[ICRA]B+ (Stable); ISSUER NOT COOPERATING	-	-	19-Aug-21	ICRA]BB- (Stable); ISSUER NOT COOPERATING
				08-May-23	[ICRA]BB- (Stable); ISSUER NOT COOPERATING	-	-	-	-
Letter of credit*	Short term	(5.00)	[ICRA]A4+	12-Dec-23	[ICRA]A4+	14-Mar-23	[ICRA]A4; ISSUER NOT COOPERATING	21-Mar-22	[ICRA]A4
				19-May-23	[ICRA]A4; ISSUER NOT COOPERATING	-	-	19-Aug-21	[ICRA]A4; ISSUER NOT COOPERATING
				08-May-23	[ICRA]A4; ISSUER NOT COOPERATING	-	-	-	-
Unallocated limits	Long term and short term	5.10	[ICRA]BB+ (Stable)/[ICRA]A4+	12-Dec-23	[ICRA]BB (Stable)/ [ICRA]A4+	-	-	-	-
Short-term-Fund-based-Overdraft	Short term	4.90	[ICRA]A4+	-	-	-	-	-	-

**Sub-limit of cash credit*

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Cash credit	Simple
Non-fund based – Letter of credit	Very Simple
Unallocated limits	NA
Short-term- Overdraft	Simple

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	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Cash credit**	NA	NA	NA	30.00	[ICRA]BB+ (Stable)
NA	**Letter of credit***	NA	NA	NA	(5.00)	[ICRA]A4+
NA	**Unallocated limits**	NA	NA	NA	5.10	[ICRA]BB+ (Stable)/ [ICRA]A4+
NA	**Overdraft**	NA	NA	NA	4.90	[ICRA]A4+

*Source: Company; *Sub-limit of cash credit*

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

Annexure II: List of entities considered for consolidated analysis- Not applicable

Corrigendum

Rationale dated January 28, 2025 has been revised with updation in Key Financial Indicators section on page 3.

ANALYST CONTACTS

Ashish Modani
+91 22 6606 9912
ashish.modani@icraindia.com

Anupama Reddy
+91 40 45474829
anupama.reddy@icraindia.com

Tushar Bharambe
+91 22 6169 3347
tushar.bharambe@icraindia.com

Sandeepkumar Patwa
+91 22 6169 3368
sandeepkumar.patwa@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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.

For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches