



Infomerics Valuation And Rating Pvt. Ltd.

Press Release

C.B.S. Publishers and Distributors Private Limited

February 05, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings Assigned
1	Bank Facilities- Long Term	30.00	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)
	Total	30.00	

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of C.B.S. Publishers and Distributors Private Limited derives comfort from its experienced promoters with satisfactory track record of operations, focus on high margin publishing activity and presence in e-commerce. The rating strengths are partially offset by its thin profit margins, working capital intensive operations leading to leveraged capital structure and moderate debt protection metrics.

Key Rating Sensitivities

Upward factors

Sharp increase in scale of operation with improvement in profitability on a sustained basis

Improvement in the net worth base and capital structure

Improvement in operating cycle

Downward factors

Moderation in total income and profitability on a sustained basis

Deterioration in capital structure

Elongation in the operating cycle affecting the liquidity



Infomerics Valuation And Rating Pvt. Ltd.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters with satisfactory track record of operation

The promoters are engaged in the business since 1973 and consequently have vast experience in book distribution business. CBS is one of the leading market player of book distribution in Delhi. Goodwill of promoters has helped them to get well known authors work with them.

Focus on high margin publishing to drive earnings

Focus towards publishing business led to an increase in EBITDA margin from 5.99% in FY18 to 6.71% in FY19. Company has reported better operating margins for publishing business as compared to distribution business leading to shift in focus in publishing business.

Presence in E-commerce for diversification

Company have entered in online e-books business in 2014, diversifying the company's reach and revenue stream, while ensuring that the company is on the cusp of the rapid changes affecting the publishing business.

Key Weaknesses

Thin Profit margin

The company is operating with a thin net profit margin due to its higher dependence of debt and moderate operating margin. The EBIDTA margin remained moderate in the range of 6-7% over the past three fiscal ending on FY19. However, the absolute EBITDA of the company has improved in FY19 mainly due to increase in its scale of operations from ~Rs.171 crore in FY18 to ~Rs.192 crore in FY19. During H1FY20, the company has achieved a total operating income of Rs.84.71 crore.

Leveraged capital structure with moderate debt protection metrics

The capital structure of the company is leveraged marked by Total outside Liabilities to Tangible Net Worth and Overall Gearing Ratio at 5.67x and 3.55x, respectively as on March 31, 2019. The debt protection metrics of the company remained moderate mainly due to its thin



Infomerics Valuation And Rating Pvt. Ltd.

profitability and higher dependence on external borrowings. The debt protection metrics of the company remained stretched with total debt to GCA at 14.89 years in FY19.

Working capital intensive operations

Operations of the company are working capital intensive in nature. The Company has to hold certain inventory on account of bulk publishing orders. The inventory holding period remains generally high at 136 days as on March 31, 2019. The debtor collection days are generally high at around 202 days. However, the stretch in the working capital is offset by high credit period. Creditor payment days were also high at 235 as on 31 March, 2019. The average utilisation of the CC limits stood at around 96% over the past 12 months ended in October, 2019 indicating pressure on liquidity.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Stretched

The company liquidity seems appears to be stretched marked by its working capital intensive nature of operations with high utilization of cash credit limit of ~96% in the last 12 months ended October, 2019 indicating a low liquidity buffer. For which company has proposed to repay the debt through liquidation of promoter's personal property.

About the Company

CBS Publishers and Distributors Private Limited (CBS) incorporated in 1973 engaged in business of distribution and publication of books. CBS has branches in Bangalore, Chennai, Kolkata, & Mumbai. Company is focused towards educational books in different domains such as Medical, Engineering and Agriculture. CBS is an international organization, now known for quality textbooks in medical sciences and technology, and a major source of academic books, whether they are Indian, American or European.



Infomerics Valuation And Rating Pvt. Ltd.

Financials (Standalone):

(Rs. crore)

For the year ended*	31-03-2018	31-03-2019
	Audited	Audited
Total Operating Income	171.29	192.17
EBITDA	10.25	12.90
PAT	1.75	1.99
Total Debt	71.46	70.15
Tangible Net worth	21.25	23.16
EBITDA Margin (%)	5.99	6.71
PAT Margin (%)	1.02	1.04
Overall Gearing Ratio (x)	4.00	3.55

*Classification as per Infomerics' standards

***Note:-** Total debt consist of unsecured loan infused from promoters not subordinated to any lender, hence the unsecured loans are treated as neither debt not equity. Outstanding amount of unsecured loans for the past three years stood at Rs.13.67 crore (FY17), Rs.5.31 crore (FY18), Rs. 8.20 crore (FY19).

Status of non-cooperation with previous CRA: Issuer not cooperating by CRISIL vide press release dated February 26, 2018 due to non-availability of information.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Cash Credit	Long Term	30.00	IVR BB+/Stable	-	-	-

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

Name and Contact Details of the Rating Analyst:



Infomerics Valuation And Rating Pvt. Ltd.

Name: Mr. Ravi Malik Tel: (011) 24655636 Email: rmalik@infomerics.com	Name: Mr. Avik Podder Tel: (033) 46022266 Email: apodder@infomerics.com
--	---

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities- Cash Credit	-	-	-	30.00	IVR BB+/Stable