



Rating Rationale

AARK India Educational Trust

29 September 2021

Brickwork Ratings has revised the rating to BWR C+ for the bank loan facilities of Rs.4.75 Crores of AARK India Educational Trust (AARK or ‘the Trust’)

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (07 January 2021)	Present
Fund based Overdraft	5.50	4.75	Long Term	BWR B/Stable Issuer Not Cooperating*	BWR C+ Downgrade
Total	5.50	4.75	INR Four Crores and Seventy Five Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Details of Bank facilities is provided in Annexure-I

RATING ACTION

Brickwork Ratings has downgraded the rating from BWR B(Stable) to BWR C+. The rating revision factors the promoters experience in the education sector and established regional position of the associated trusts. The rating remains constrained by the below average financial risk profile marked by modest revenue receipts, negative surplus, susceptibility to regulatory changes and intense competition in the education sector and the stretched liquidity position of the trust.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of the Trust upto FY20, provisional financial of FY21, projections up to FY23, publicly available information and information/clarifications provided by the trust.

Credit Strengths:-

- **Established track record and experienced management:** The Trustees and management team of AARK India Educational Trust are experienced and have more than two decades of experience in managing educational institutions. The founder trustees Dr.S.Cletus Babu and Mrs.J.Amali also manage two other associated trusts viz., Social Change and Development (SCAD Trust) and St.Xavier’s Educational Trust having well known Educational Institutions in Tirunelveli, Tuticorin and Coimbatore.



Credit Risks:-

Below average Financial Risk Profile: Net Receipts of the trust are modest at Rs.4.16 Cr in FY20 & Rs.3.56Cr in FY19. As per provisional FY21, trust reported receipts of around Rs.2.46 Cr. Corpus fund was Rs.1.28 Crs in FY20. Overall gearing was high at 5.59 times as on 31st March, 2020 due to erosion of the corpus fund.

Susceptibility to regulatory changes and to intense competition in the education sector: The education sector is highly regulated in India. The trust has to comply with specific operational and infrastructure norms laid down by regulatory bodies viz., CBSE and other state educational authorities etc. Further, there are various schools in the area, thus increasing competition, which exerts pressure on attracting as well as retaining students and faculty.

Impact on Covid-19: Government guidelines and delay in the reopening of schools & colleges (due to covid-19) are expected to have an impact on the operating performance of the trust, particularly its operating revenue.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has factored in the standalone business parameters and financial risk profile of the trust to arrive at the rating. Reference may be made to the Rating Criteria hyper linked detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, the ability of the trust to increase its students enrolment, retain qualified and experienced faculty, expand its infrastructure appropriately, strengthen its liquidity and its overall credit risk profile would be the key rating sensitivities.

Liquidity - Poor:

The liquidity of the trust is poor, marked with full utilization of overdraft limit and irregularity in servicing interest payments. Cash and Cash equivalents of the trust are low at Rs.0.47 Cr in FY20. The trust remains exposed to the inherent cash flow mismatches in the educational sector. Timely collection of receipts and financial support from the trustees & associate institutions are critical for timely debt servicing.

About the Trust

AARK India Educational Trust was established in 2007 at Tirunelveli, Tamil Nadu. The school is on the national highway, 3km from Chengalpattu, 45km from Chennai and 8km from Mahindra World City. The trust had set up a school in Chengalpattu, Tamil Nadu called SCAD World School in 2014-2015. The school has classes upto Eighth Grade and it has adopted CBSE curriculum. There are 28 teaching staff and 15 non teaching staff.

Dr.S Cletus Babu, Mrs.J.X.Amali, Mr.C.Arun Babu, Mrs.Ignatius Jessy, Mr.M.Rosari, Mrs.A.Mary Augustis and Mr.Arul Santosh Philip are the trustees. The three trusts belong to SCAD group of institutions. The SCAD group has nine Educational Institutions. They have been



in the educational field since 1989 and started educational institutions in southern districts of Tamil Nadu.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY20	FY19
Result Type		Audited	Audited
Operating Revenue	₹ Cr	4.16	3.56
EBITDA	₹ Cr	-0.09	0.72
PAT	₹ Cr	-0.64	0.17
Tangible Net worth	₹ Cr	1.28	1.92
Total Debt/Tangible Net worth	Times	5.59	3.31
Current Ratio	Times	0.11	0.07

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NIL

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY :NA

Rating History for the last three years [including withdrawal and suspended]

Sl. No.	Facility	Current Rating			Rating History			
		Type	Amount (Rs. Crs)	Rating	07-Jan 2021	2020	01-07-2019	26-04-2018
1	Overdraft	Long Term	4.75	BWR C+ Downgrade	BWR B (Stable) Reaffirmed Issuer Not Cooperating	NIL	BWR B (Stable) Reaffirmed	BWR B (Stable) Assigned
	Total		4.75		INR Four Crores and Seventy Five Lakhs Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf



Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Service Sector](#)

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AARK India Educational Trust
ANNEXURE I
Details of Bank Facilities rated by BWR

SL. No.	Bank name	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1	Central Bank of India	Overdraft	4.75	-	4.75
INR Four Crores And Seventy Five Lakhs Only					4.75

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