



Rating Rationale

AARK India Educational Trust

26 Apr 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 5.50 Crores of AARK India Educational Trust.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	5.50	Long Term	BWR B (Pronounced as BWR B) Outlook: Stable
Total	5.50	INR Five Crores Fifty Lakhs Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the company's audited financial statements upto FY17 and publicly available information and the information/clarifications provided by the firm.

The ratings draws strength from experienced management in the Educational Sector , reputation of their associated trusts . However, the rating is constrained by low corpus fund of the trust, negative surplus ,weak debt protection metrics and low current ratio

Going forward, the ability of the firm to increase its operating margins, profitability and manage its working capital efficiently will be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **Experienced Management:** Dr.S.Cletus Babu and Mrs.J.Amali are the founder trustees of Social Change and Development (SCAD Trust) and St.Xavier's Educational Trust who are having 17 well known Educational Institutions in Tirunelveli, Tuticorin and Coimbatore - which include 5 Engineering Colleges, 2 Polytechnics, 2 schools one international school etc., They have been in the educational field since 1989 and started premier educational institutions in southern districts of Tamil Nadu which are well



known for their standards

- **Reputation of associated Trusts:** The two associated trusts are Social Change and Development (SCAD Trust) and St.Xavier's Educational Trust having 17 well known Educational Institutions in Tirunelveli, Tuticorin and Coimbatore - which include 5 Engineering Colleges, 2 Polytechnics, 2 schools one international school etc.Net Turnover of the trusts is Rs.59.38Cr and Rs.35.94Cr respectively for the year FY17

Credit risks:

- **Low Operating Income:** The net operating income of the trust is low at Rs.2.38Cr and Rs.2.16Cr for FY16 and FY17 respectively
- **Negative Surplus Margins:** The net surplus margins of the trust for FY16 and FY17 are negative at (17.03%) and (35.61%) respectively
- **Low Corpus Fund:** The corpus fund of the trust which was at Rs.2.70Cr in FY16 dhas declined to Rs.1.93Cr in FY17.
- **Weak Debt Protection Metrics:** ISCR and DSCR at low levels at 0.76 times and 0.73 times in FY17
- **Low Current Ratio:** The current ratio is at low levels of 0.01 times in FY17. This could possibly lead to a liquidity crunch.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **AARK India Educational Trust** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Trust:

AARK India Educational Trust was started in the year 2007 with a view to start educational institutions. Originally the trust had the following persons as trustees: Shri.PJeyaraman, Shri.S.Theagarajan, Shri.Pradip Kumar Saha, Shri.Pranit Kumar Par, Shri.Punit Venaktesh, Shri.Umapathy Pinghpani, Shri.Venkatesh Mahalingam, Shri.T.Krishnakumar, T.Siddharthar. In the year 2011 new trustees under the guidance of Dr.Cletus Babu have been inducted into the trust and the names of the new trustees are: 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 Dr.S.Cletus Babu and Mrs.J.Amali are the founder trustees of Social Change and Development (SCAD Trust) and St.Xavier's Educational Trust who are having 17 well



known Educational Institutions in Tirunelveli, Tuticorin and Coimbatore - which include 5 Engineering Colleges, 2 Polytechnics, 2 schools one international school etc., They have been in the educational field since 1989 and started premier educational institutions in southern districts of Tamil Nadu which are well known for their standards. After taking over AARK India Educational Trust, the new trustees had planned to start a modern and well equipped CBSE school and accordingly the SCAD World school was started from the academic year 2014-2015. The site is just on the national highway, 3km from Chengalpattu and 45km from Chennai and 8km from Mahendra World City. The school is surrounded by villages and lot of residential colonies. The school is having CBSE syllabus. The teaching languages are English, Tamil and Hindi. The medium of teaching is English. The school adopts CBSE examination pattern for all its classes. The school is situated on the national highway and is having a modern and spacious buildings in 5.50 acres campus The school provides modern lab facilities, library and sport facilities like play grounds, gym facilities, yoga classes etc., to students. The school is having its own fleet of buses for transport. Hostel facility is available for students and staff. Total Number of students enrolled is 650 ; The number of teaching staff - 28 and number of non teaching staff is 15. The school charges fees as per CBSE rules for its classes

Financial Performance

The trust reported a net revenue from operations of Rs.2.16Cr in FY17 and Rs.2.38Cr in FY16. Net surplus margin reported at (35.61%) in FY17. The corpus fund stood at Rs.1.93Cr as at the end of March 31, 2017

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
	OverDraft	Long Term	5.50	BWR B (Outlook: Stable)	NIL	NIL	NIL
	Total		5.50	₹Five Crores Fifty Lakhs Only			

Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type		Audited	Audited
Operating Revenue	₹ Cr	2.16	2.38
EBITDA	₹ Cr	0.64	1.06
Net Surplus	₹ Cr	(0.77)	(0.41)
Corpus Fund	₹ Cr	1.93	2.70
Total Debt/Corpus Fund	Times	3.29	2.18
Current Ratio	Times	0.01	0.03

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled



Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

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