

Rating Rationale

Brickwork Ratings revises the rating from 'BWR BBB' to 'BWR BB+' for Aditya Academy bank loan facilities of ₹ 26.58 Cr.

Brickwork Ratings has revised the **Ratings¹** of Aditya Academy (the 'trust') enhanced Bank Loan Facilities of ₹ 26.58 Cr from 'BWR BBB' to 'BWR BB+'.

Facility	Limits (₹ Cr)		Tenure	Rating ¹	
	Previous	Present		Previous June 2013	Present
Fund Based Limits					
Cash Credit	1.40	2.50	Long Term	BWR BBB [BWR Triple B] (Outlook : Stable)	BWR BB+ [BWR Double B Plus] (Outlook: Stable) (Down-gradation)
Term Loan	9.58	24.08*			
Total	10.98	26.58	INR Twenty Six Crores and Fifty Eight Lakhs Only		

*O/s amount in term loans as on March 3, 2015

BWR has essentially relied upon audited financial results up to FY14, publicly available information and information provided by the Trust's management.

The rating revision takes into account the irregularities including delay in repayment of debt obligations, decline in gross enrollment ratio Y-O-Y relating to fresh admissions to the colleges, fluctuating profits, high level of competition from other educational institutes and highly regulated framework for educational sector in India. The rating, however, draws support from the experience of the members in educational Society, the demand for courses offered by various institutions under the Society and healthy corpus fund leads to low gearing profile.

Background

Aditya Academy was established as an educational society in the year 1984 in Kakinada, Andhra Pradesh. The Society has established and is operating 30 educational institutions in Andhra Pradesh. Aditya Academy comprises of Schools, Junior Colleges, Degree Colleges, PG Colleges, Engineering Colleges, Pharmacy Colleges and Nursing Colleges.

Aditya Academy is providing education from LKG to PG level and has 2625 teaching and non-teaching staff and 26611 students are studying in its various constituent schools and colleges. Gross Enrollment in respect of 9 colleges dipping Y-O-Y basis i.e. from ~84.11% in AY2012-13 (AY- Academic Year), ~74.28% in AY2013-14 and ~69.87% in AY2014-15. Trust's Students to teachers' ratio for Academic year 2014-15 stood at 22.25 times.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Financial Performance:

Based on FY14 audited financials, net revenue from operations improved from Rs. 68.20 crores to Rs. 88.07 crores. On total net receipts, term fees constitute to ~79.09%, and hostel and bus receipts constitutes to 16.98% in FY14. Operating surplus and net surplus reported at Rs. 25.33 crores and Rs. 12.94 crores respectively. Employee cost of the trust constitutes to ~51% of total net receipts in FY14. Corpus Fund of the trust has improved from Rs. 55.61 crores to Rs. 68.55 crores mainly due to addition of capital to an extent of Rs. 5.68 crores and retention of profits in the business. The gearing level has deteriorated from 0.38X in FY13 to 0.54X.

Rating Outlook:

The outlook of the trust is expected to be stable for the next one year. Going forward, the trusts ability to repay its debt obligations on time, maintain capital structure, improve the attract enrollments especially w.r.t to colleges and sustaining in a competitive environment will be the key rating sensitivities.

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