

Rating Rationale

Brickwork Ratings upgrades ‘BWR BBB-’ for the Bank Credit Facilities aggregating Rs 28.71 Cr of Aditya Academy.

Brickwork Ratings (BWR) has upgraded the following **Rating¹** for the Bank Credit Facilities of Aditya Academy.

Facility	Previous Limit (Rs in Cr)	Current Limit (Rs in Cr)	Tenure	Rating	Rating History
Over Draft (Fund Based)	2.50	7.50	Long Term	BWR BBB- (BWR Triple B Minus)	BWR BB+ (BWR Double B Plus)
Term Loan	24.08	21.21			Outlook: Stable Upgraded
Total	26.58	28.71	INR Twenty Eight Crores and Seventy One Lakh Only		

Note: Term Loans Outstanding amount is as on March 3, 2016

BWR has principally relied upon the audited financial results up to FY15, projection Upto FY17, publicly available information and information/clarification provided by the Trust management

The rating has factored, inter alia, the experience of the members in educational Society, the demand for courses offered by various institutions under the Society, low debt equity, stable profit margins, healthy corpus funds and good coverage ratios.

The rating is, however, constrained by marginal decline in gross enrolment ratio, high competition in education sector, regulatory risks associated with the educational institutions and the quality teaching staff and attrition risk.

Background of the Company:

Aditya Academy was established as an educational society in the year 1984 in Kakinada, Andhra Pradesh. The President of the Aditya Academy is Mr. N. Sessa Reddy (founder of Aditya Academy), Vice – President is Sri N. Satish Reddy and Secretary is Sri P. Bhaskara Reddy. The Society has established and is operating 30 educational institutions in Andhra Pradesh. Aditya Academy was started with a public school, confining to primary and secondary education. Over a period, Aditya Academy established a number of 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 2700 (approx.) employees and 33711 students are studying in its various constituent schools and colleges. Aditya Academy runs 6 public schools, 6 degree colleges, 8 junior colleges and PG colleges. Trust’s Students to teachers’ ratio for Academic year 2015-16 stood at 27.60 times.

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

Financials:

Aditya Academy’s financial performance is marked by adequate corpus funds of Rs. 84.02 Cr in FY15, which has increased from Rs. 68.55 Cr reported in FY14. Operating Profit Margin averaged at 26.07 per cent for the past 3 years. Total Debt / Tangible Net worth stood at 0.53 times in FY15. Interest and Debt coverage metrics stood at comfortable levels of 6.25 and 3.18 respectively for FY15.

Rating Outlook:

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

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