



## Rating Rationale

All India Society for Electronics and Computer Technology (Raipur, Chhattisgarh)

9 Aug 2018

**Brickwork Ratings assigns BWR BBB (Outlook: Stable) for the Bank Loan Facilities of Rs. 5.00 Crs of All India Society for Electronics and Computer Technology ('AISECT' or 'the Society')**

### Particulars

Facility*	Amount (Rs. Crs)	Tenure	Rating^
<b>Fund Based Proposed Dropline Overdraft</b>	5.00	Long Term	<b>BWR BBB</b> (Pronounced as BWR Triple B)  <b>Outlook:Stable Assigned</b>
<b>Total</b>	<b>5.00 (INR Five Crores Only )</b>		

^ Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*Annexure-I provides details of bank wise facilities

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of the Society upto FY17, provisional Financials for FY18, projected financials upto FY21, publicly available information and information/clarifications provided by the management.

The rating draws strength from the experienced founders and members, established track record and group support, and strong financial risk profile marked by comfortable capital structure, healthy surplus margins and comfortable debt coverage indicators. The ratings are, however constrained by the modest scale of operations, moderate placement track record of regular course students, exposure to regulatory risk associated with education sector and competition from other established educational institutes in Chhattisgarh and continuous need for capital investment in infrastructure.

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

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## **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)

## **Key Rating drivers**

### **Credit strengths**

- **Experienced founder and society members**

The Founder and President of AISECT, Mr. Santosh Choubey has more than three decades of experience in education sector. He is further supported by highly qualified and experienced society members and advisory committee.

- **Established Track Record and group support**

AISECT, Raipur was founded in 2002 and started its university in the name of Dr. C. V. Raman University in 2005. Over the years, the society has increased its student intake mainly by providing counselling services for admission to its distance education courses at more than 20,000 franchisee centres of AISECT, located across PAN India.

- **Strong financial risk profile marked by comfortable Capital structure, healthy surplus margins and comfortable debt coverage indicators**

Due to repayment of the term loan, the overall gearing of the Society has improved and remained comfortable at 0.03 times as on March 31, 2018 (prov.) as against 0.10 times as on March 31, 2017. Owing to the same reason, TOL/TNW of the Society has also further improved marginally to 0.11 times as on March 31, 2018 and against 0.12 times as on March 31, 2017, as outside liability in the form of advance fees have increased during the year. In FY18 (prov.), Operating Surplus margin of the Society has remained healthy at 25.24% for FY18 (Prov.) as against 21.24% in FY17.

Due to relatively lower and decreasing interest expenditure resulting from term loan repayment, ISCR of the Society has improved further to 17.12 times for FY18 (prov.) *vis-à-vis* 7.17 times for FY17. Despite of increase in the investment in subsidiaries, due to proportionately higher increase in the Current liabilities, the current ratio of the society has decreased to 8.33 times as on March 31, 2018 (prov.) as compared to 25.91 times as on March 31, 2017.

### **Credit Weaknesses**

- **Modest scale of operations**

Due to more than 17% decrease in y-o-y student enrolment coupled with disintegration of study



material services in its associate company i.e. AISECT Ltd., the Total Operating Income (TOI) of AISECT has decreased to Rs.41.12 Crs in FY17 as against Rs.59.38 Crs in FY16. However, the same has increased and remained modest at Rs.49.70 Crs for FY18 on provisional basis as student enrolment ratio improved by more than 27% in A.Y.2017-18.

- **Susceptibility to regulatory changes and to intense competition in the education sector**

AISECT, Raipur remains susceptible to adverse regulatory changes and intense competition in the education sector. The education sector is one of the highly regulated sectors in India. Furthermore, the colleges face intense competition from other engineering and management colleges located in the region.

**Rating Outlook: Stable**

BWR believes AISECT's 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 margins show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and margins show lower than expected figures.

**Background:**

All India Society for Electronics and Computer Technology (AISECT) is a Raipur, Chhattisgarh based educational society founded in 2002 by Mr. Santosh K. Choubey for providing skill development, educational and training services in semi-urban and rural areas of the country. In 2006, the society started a private university in the name of Dr. C. V. Raman University under section 2(f) of the University Grant Commission Act, 1956. AISECT offers range of study courses in the field of engineering, management, education, journalism & Arts. The Engineering and Management Programs of Dr. C. V. Raman University, are recognized and approved by All India Council for Technical Education (AICTE) Govt. of India and the Education Programs are recognized and approved by National Council for Teachers' Education (NCTE) Govt. of India.

The Distance Education Programs are Approved by Distance Education Council (DEC) of Govt. of India and Joint Committee(UGC, AICTE,,DEC) whereas Law program are approved by Bar Council of India and contribute to around 80% of the Society's receipts. Apart from AISECT (Bilaspur) the promoters operate other educational organisations like AISECT, Bhopal (Founded in 1985) which runs Rabindranath Tagore University, AISECT (Jharkhand) which runs AISECT University, Jharkhand (Founded in 2006) and



AISECT Ltd. (Incorporated in 2006) which is engaged in printing and study material supply business.

The Founders are in the process of setting up a university in Bihar, in the name of Dr. C.V. Raman University (Bihar) through acquisition of Patna Sahib Charitable Educational Trust.

AISECT has PAN India presence through more than 20,000 franchisee centres for admission counselling to the Society's various courses and also to provide computer courses offered by the society.

### Financial Performance

In FY17, AISECT reported TOI of Rs.41.12 Crs and SAT of Rs.4.71 Crs as against net receipts of Rs.59.36 Crs and SAT of Rs.2.47 Crs in FY16. In FY18, on provisional basis, the TOI of the Society has increased to Rs.49.70 Crs. As on March 31, 2017, Society's Corpus fund stood at Rs.78.14 Crs.

Key financial indicators are furnished in Annexure II.

### Rating History for the last three years:

Sl. No.	Facility	Current Rating (2018)			Rating History		
		Type	Amount (Rs. Crs)	Rating	2017	2016	2015
1	Proposed Dropline Overdraft	Long term	5.00	<b>BWR BBB</b> <b>(Outlook : Stable)</b> <b>Assigned</b>	N/A	N/A	N/A
	<b>Total</b>		<b>5.00</b>	<b>INR Five Crores only</b>			

Status of Non cooperation with other CRA : Not applicable

Any other information : Not applicable.

Hyperlink/Reference to applicable Criteria

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



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**All India Society for Electronics and Computer Technology**

**Annexure I**

**Details of Rated Bank Facilities**

Facilities	FB/NFB & ST/LT	Rated Amount (Rs Crs)
<b>Proposed</b> Dropline Overdraft	FB-LT	5.00
<b>Total</b>		<b>5.00</b>

**Annexure II**

**Key Financial Indicators**

Particulars	31/Mar/2017 Audited	31/Mar/2016 Audited
<b>Total Operating Income</b> (Rs. Cr)	41.12	59.38
<b>SBITDA</b> (Rs. Cr)	8.73	5.17
<b>SAT</b> (Rs. Cr)	4.71	2.47
<b>Corpus Fund (CF)</b> (Rs. Cr)	78.14	69.89
<b>Total Debt: CF</b> (Times)	0.10	0.15
<b>Current Ratio</b> (Times)	25.91	24.98

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**Note on complexity levels of the rated instrument:**

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**About Brickwork Ratings**

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BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

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