



Rating Rationale

Anil Neerukonda Educational Society

23 Apr 2019

Brickwork Ratings reaffirms BWR BBB-/A3 for the bank loan facilities of Rs. 67.09 Crore of Anil Neerukonda Educational Society [*'ANES' or 'the society'*], Visakhapatnam, Andhra Pradesh

Particulars

Facilities	Amount (Rs. Crs)		Tenure	Ratings*	
	Previous	Present		Previous [#]	Present
Fund Based Cash Credit Term Loans	3.50 50.95	12.50 38.59**	Long Term	BWR BBB- (Pronounced as <i>BWR Triple B Minus</i>) Outlook: Stable	BWR BBB- (Pronounced as <i>BWR Triple B Minus</i>) Outlook: Stable <i>Reaffirmed</i>
Non Fund Based Bank Guarantee	12.00	16.00	Short Term	BWR A3 (Pronounced as <i>BWR A Three</i>)	BWR A3 (Pronounced as <i>BWR A Three</i>) <i>Reaffirmed</i>
Total	66.45	Rs. 67.09 Crore (Rupees Sixty Seven Crore Nine Lakh Only)			

Note: Annexure I provides details of the credit facilities; #Ratings migrated to 'Rating Not Reviewed' category on 21st March 2019 ; ** Term Loans outstanding ;*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Ratings reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

Brickwork Ratings has essentially relied upon the audited financials upto FY18, provisional financials of FY19, projections upto FY21, publicly available information and information/clarifications provided by the society's management.

The ratings reaffirmation continues to factor the experienced management, satisfactory infrastructure facilities, qualified faculty, diversified presence across various educational streams and established operational track record of the Society. The ratings also factor the growth in student enrollment and y-o-y growth in revenue. However, the ratings continue to be constrained by the moderate financial risk profile, vulnerability to regulatory risks associated with the education sector, intense competition from established educational institutions in the region and geographic concentration of operations.



Going forward, the ability of the society to recruit and retain experienced faculty, increase student enrolments, ensure the availability of adequate infrastructure, strengthen its credit profile and manage its working capital efficiently will be the key rating sensitivities.

Key Rating drivers

- **Established track record:** ANES' institutions in both technical and non-technical streams are established and the Society has a track record of around two decades with around 5246 students enrolled for various academic streams.
- **Professional management:** The institutions are managed by a Board of Governors headed by Dr. Neerukonda B. R. Prasad, with other members being, Dr. Sujatha Neerukonda, Shre. Naveen Neerukonda, Dr. Alturi Prathima, Smt. Kavitha Neerukonda and Dr. Atluri Pavan. The governing body members have extensive experience in the education industry spanning almost two decades.
- **Diversified presence across various streams and student enrollment:** ANES has 4 educational institutions [*Engineering College: Anil Neerukonda Institute of Technology & Science; Medical College: NRI Institute of Medical Science; Dental College: Anil Neerukonda Institute of Dental Science and Nursing College: American NRI College of Nursing*] and two hospitals [*Medical Hospital: Anil Neerukonda Hospital and Dental hospital (attached to the Dental College)*]. ANES presently offers 23 programs at Undergraduate, Postgraduate and Doctoral levels in diverse disciplines - Technology, Science, Medical, Dental and Nursing. ANES has nearly 5235 full-time students and about 11 research scholars, pursuing different academic programs. All the institutions are located at Visakhapatnam, Andhra Pradesh. Major IT companies viz., Infosys, IBM, Capgemini, Tech Mahindra, etc. recruit ~50% of the students.
- **Modest financial risk profile:** ANES total receipts have increased y-o-y over the last four years. Total receipts increased to Rs. 89.78 crore for FY18 from Rs. 66.03 crore for FY17. The society has received non-interest bearing unsecured loans of Rs. 50.27 crore as on 31st March 2018 from promoters and friends. Total Debt to Corpus [*analysed - including unsecured loans*] was 0.91 times as on 31st March 2018 as against 0.98 times as on 31st March 2017. ISCR was 3.55 times as on 31st March 2018 as against 4.34 times as on 31st March 2017. However, DSCR is low at 0.93 times as on 31st March 2018 as against 0.92 times as on 31st March 2017.
- **Vulnerability to Regulatory risk associated with the Education Sector:** The educational institutions are regulated by various bodies, namely, University Grants Commission (UGC), All India Council for Technical Education (AICTE), Medical Council of India, Dental Council of India and Paramedical Council of India, and are vulnerable to regulatory changes.



- **Exposure to intense competition:** ANES's educational institutions face stiff competition from other Engineering, Medical, Dental and Nursing institutions in and around Visakhapatnam and also other institutions in neighboring districts. Enrolment level of courses are primarily dependent on the placement track record coupled with the quality of recruiters.

Liquidity - Moderate: ANES' utilization of the funded bank lines was moderate at around 50% over the last 12 months. Cash & Cash equivalents were Rs. 5.00 crore as on 31st March 2018 as against 1.00 crore as on 31st March 2017. On a provisional basis, the society's Cash & Cash equivalents were around Rs. 9 crore as on 31st March 2019. However, the society's Net cash accruals/Total Debt is low at 0.13 times as on 31st March 2018 as against 0.11 times as on 31st March 2017. Current ratio was low at 0.79 times as on 31st March 2018 as against 2.01 times as on 31st March 2017. On a provisional basis, the society has generated cash accruals of around Rs. 16 crore in FY19. Debt repayment obligations are around Rs. 11 crore in FY20, which are expected to be serviced through the cash accruals. The ability of the society to generate adequate cash accruals to service the debt obligations would be a key monitorable

Analytical Approach

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

Rating Outlook: Stable

Brickwork Ratings believes that **Anil Neerukonda Educational Society's** ('ANES' or 'the society') operational 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 total receipts and surplus show sustained improvement leading to improvement in cash accruals and strengthening of financial risk profile. The rating outlook may be revised to 'Negative' if the total receipts go down, operating margins show lower than expected figures, working capital cycle is stretched pressurizing the liquidity position or any major debt funded capital expenditure plan leads to stress on the financial risk profile of the society.

About the Society

Anil Neerukonda Educational Society ['ANES' or 'the Society'], was registered on 7th August 2000, at Visakhapatnam, Andhra Pradesh. ANES was established to set-up both Technical and Non-Technical Colleges and Charitable Institutions. ANES has established 4 educational institutions [*Engineering College: Anil Neerukonda Institute of Technology & Science; Medical College: NRI Institute of Medical Science; Dental College: Anil Neerukonda Institute of Dental Science and Nursing College: American NRI College of Nursing*] and two hospitals [*Medical*



Hospital: Anil Neerukonda Hospital and Dental hospital attached to the Dental College], all the institutions under ANES are located in Visakhapatnam, Andhra Pradesh.

Educational Institutions: Engineering College: Anil Neerukonda Institute of Technology & Science, established in 2000, is an autonomous college approved by the University Grants Commission [UGC] and Andhra University. The college is approved by AICTE and permanently affiliated to Andhra University. The college is accredited by NBA [IT, CSE, EEE, ECE and Mech. Engg.] and NAAC 'A' Grade. Medical College: NRI Institute of Medical Science, established in 2012, offers MBBS and MD/MS courses and is recognised by the Medical Council of India and Dr. N. T. R. University of Health Sciences. Dental College: Anil Neerukonda Institute of Dental Sciences, was established in 2013 and offers BDS and MDS courses and is recognised by the Dental Council of India. Nursing College: American NRI College of Nursing, was established in 2006, offers BSc - Nursing and is recognised by Paramedical Council on India.

Hospitals: Medical Hospital: Anil Neerukonda Hospital, a Super Specialty Hospital, was established in 2006. The hospital, currently has ~980 beds, 12 Major and 4 minor operation theatres and has ~150 doctors and ~350 nursing staff. The hospital offers various super specialties, namely, Cardiology, Neurology, Neuro-Surgery, Nephrology, Medical Gastro, Surgical Gastro, Plastic Surgery, etc. Dental Hospital: The dental hospital is attached to the dental college, has ~250 dental chairs. The dental hospital offers various super speciality services.

Financial Performance

ANES's total receipts have increased y-o-y over the last four years and has increased by around 35% compared to FY17 Total receipts were Rs. 89.78 crore in FY18 as against Rs. 66.03 crore in FY17. Net Surplus was Rs. 3.16 crore for FY18 as against Rs. 1.71 crore for FY17. Corpus was Rs. 23.12 crore as on 31st March 2018. On a provisional basis, the society has achieved total receipts of around Rs. 100 crore in FY19 with Net Surplus of Rs. 5.71 crore for FY19.

The key financial indicators are summarized in Annexure II.



Rating History for the last three years

Sl. No.	Facilities	Current Rating (2019)			Rating History		
		Type	Amount (Rs. Cr)	Ratings	2018	2017 ¹ [20 Dec 2017] [#]	2016 ² [5 Feb 2016] ^{##}
1	Cash Credit	Long Term	12.50	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook: Stable Reaffirmed	-	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook: Stable Upgraded	BWR BB+ (Pronounced as BWR Double B Plus) Outlook: Stable Upgraded
2	Term Loans		38.59**		-		
3	Bank Guarantee	Short Term	16.00	BWR A3 (Pronounced as BWR A Three) Reaffirmed	-	BWR A3 (Pronounced as BWR A Three) Upgraded	BWR A4+ (Pronounced as BWR A Four Plus) Upgraded
Total			Rs. 67.09 Crore (Rupees Sixty Seven Crore Nine Lakh Only)				

1 Amount Rated: Rs. 66.45 crore; 2 Amount Rated: Rs. 81.57 crore; ** Term Loans outstanding

Ratings migrated to 'Rating Not Reviewed' category on 21st March 2019

Note: The society was initially rated by BWR on 10th September 2014 at BWR BB-/A4 (Outlook: Stable) for the bank loan facilities of Rs. 74.96 crore.

Status of non-cooperation with other CRA: Not Applicable

Any other information: Not Applicable

Hyperlink/Reference to applicable Criteria

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

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Annexure I Bank Loan Facilities

Bank	Facilities	Tenure	Previous (Rs. Crs)	Present (Rs. Crs)
State Bank of India Visakhapatnam Andhra Pradesh	Fund Based Cash Credit Term Loans	Long Term	3.00 30.75	12.00 21.33**
	Non Fund Based Bank Guarantee	Short Term	12.00	16.00
Dhanalaxmi Bank Visakhapatnam, Andhra Pradesh	Fund Based Cash Credit Term Loans	Long Term	0.50 20.20	0.50 17.26**
Total			66.45	67.09

** Term Loans Outstanding

Annexure II Key Financial Parameters

Particulars		31 Mar 2017	31 Mar 2018
		Audited	Audited
Total Receipts	Rs. Cr	66.03	89.78
EBITDA	Rs. Cr	15.94	19.05
Net Surplus	Rs. Cr	1.71	3.16
Corpus	Rs. Cr	19.96	23.12
Total Debt : Corpus <i>[analysed]</i>	Times	0.98	0.91
Current Ratio	Times	2.01	0.79

Note: The society has received non-interest bearing unsecured loans of Rs. 50.27 crore as on 31st March 2018 as against Rs. 49.12 crore as on 31st March 2017, from promoters and friends



For print and digital media

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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, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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