



## Rating Rationale

Anil Neerukonda Educational Society

20<sup>th</sup> December 2017

**Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹.66.45 Crores of Anil Neerukonda Educational Society.**

### Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Feb, 2016)	Present
<b>Fund Based Limits</b>			<b>Long Term</b>	<b>BWR BB+ Outlook: Stable</b>	<b>BWR BBB- (BWR Triple B Minus) Outlook: Stable Upgraded</b>
<b>Working Capital</b>	3.50	3.50			
<b>Term Loans</b>	65.87	50.95			
<b>Non Fund Based Limits</b>			<b>Short Term</b>	<b>BWR A4+</b>	<b>BWR A3 (BWR A Three) Upgraded</b>
<b>Bank Guarantee</b>	12.00	12.00			
<b>Total</b>	<b>81.37</b>	<b>66.45</b>	<b>INR Sixty Six Crores and Forty Five Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings  
Complete details of Bank facilities is provided in Annexure-I

### Ratings: Upgraded

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

BWR has primarily relied upon the audited financials upto FY17 and publicly available information and the information/clarifications provided by the management.



The rating draws strength from the experienced society members, long track record of the trust, low gearing ratio, growth in revenue, improvement in gross enrolment, healthy corpus fund and medical council permission to commence post graduation courses which increases revenue for upcoming years. However, the ratings are constrained by decline in operating & net surplus margins in FY17, regulatory risks associated with education sector and competitive professional education field

#### **Key rating drivers:**

The few society members have been in the field of education for more than two decades. Net receipts of the society increased from Rs.54.70 Crs in FY16 to Rs. 69.90 Crs in FY17 and Corpus funds reported at Rs.69.08 Crs. The society is permitted to commence post graduation in MS/MD and MDS and sanctioned intake is 98 and 18 respectively. Net Profit Margin is reduced from 3.70% in FY 16 to 2.61% in FY17. Operating profit margin is reduced from 26% to 23.29% between FY 16 and FY17

Going forward, the ability of the society to improve profitability by prudently managing operating expenses, continue to sustain the enrolment ratio, the ability to increase the OPD inflow, to be competitive and to service the debt obligations promptly would be the key rating sensitivities.

#### **Rating Outlook: *Stable***

BWR believes the **Anil Neerukonda Educational Society** 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 Society**

Anil Neerukonda Educational Society (ANES) was established in the year 2000 and located in Visakhapatnam, Andhra Pradesh. Society has established four educational institutions in the field of engineering, nursing, medical & dental. Society is also engaged in managing medical and dental hospitals. All the institutions are affiliated to Andhra University, NTRUHS. Society is well equipped with modern infrastructures, laboratories, libraries, canteen and hostels. Gross



enrolment ratio increased from 92.62% in AY16-17 (Academic Year) to 98.70% in AY 17-18. Medical hospital is equipped with 980 beds, 12 Major & 4 Minor Operation Theatres and consists of all major super specialty services. Dental hospital is equipped with all types of specialty services and contains 250 chairs. Average in-patient per day is ~800 for medical and 250 for dental hospitals. ~310 well experienced doctors are working in both the Hospitals. ANES's management committee headed by Dr. Neerukonda BR Prasad, Dr. Neerukonda Sujatha, Mr. Vasireddy Thapovardhan, Dr. Atuluri Prathima, Mr. Neerukonda Naveen, Dr. Atluri Pavan and Mrs. Neerukonda Kavitha are very experienced and few of them have been in the field of education for more than two decades.

### Company Financial Performance

Based on audited FY17 financials, revenue reported at Rs.65.29 Crores in FY17 and Rs.54.70Crores in FY17. Based on Provisional financials upto Sep 2017 revenue achieved is Rs.69.90 Crs. Operating surplus and net cash accruals reported at 23.69% and 12.99 Crores in FY17 as against 26.00% and 12.22 Crores in FY16. In FY17, ~72% of revenue generated from tuition fees, ~11% from hospital income and rest consists of academic fees, hostel & examination fees. Gearing reported 0.98 times in FY17 with healthy corpus funds of Rs. 69.08 Crs. Coverage indicators reported by ISCR of 4.15 times and DSCR of 1.43 times during FY17. considering the Sept 17 financials data, the society cannot reach the projected data of FY 18

### Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2017)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	5/5/17	5/2/16	10/9/14
1	Fund Based	Long Term	54.45	<b>BWR BBB-Stable Upgraded</b>	Not Reviewed	<b>BWR BB+</b>	<b>BWR BB-</b>
2	Non Fund Based	Short Term	12.00	<b>BWR A3 Upgraded</b>	Not Reviewed	<b>BWR A4+</b>	<b>BWR A4</b>
	<b>Total</b>		<b>66.45</b>	<b>₹ Sixty Six Crores and Forty Five Lakhs Only</b>			



Status of non-cooperation with previous CRA (if applicable)-Nil

**Key Financial Indicators**

Key Parameters	Units	2017	2016
Result Type		Audited	Audited
Net Receipts	Crores	65.29	54.70
OSBDIT	Crores	15.21	14.22
SAT	Crores	12.99	12.22
Tangible Net worth	Crores	69.08	63.84
Total Debt/Tangible Net worth	Times	0.98	1.01
Current Ratio	Times	2.01	1.88

**Hyperlink/Reference to applicable Criteria**

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

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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 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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