

## Rating Rationale

### Brickwork Ratings assigns 'BWR BB-' & 'BWR A4' for the Bank Loan Facilities aggregating ₹ 74.96 Cr of Anil Neerukonda Educational Society.

Brickwork Ratings has assigned the following **Ratings**<sup>1</sup> to the Bank Loan Facilities aggregating ₹ 74.96 Cr of Anil Neerukonda Educational Society.

Facilities	Existing Limits (₹ Cr)	Proposed Limits (₹ Cr)	Tenure	Ratings
Fund Based Term Loans	32.01*	25.00	Long Term	BWR BB- (BWR Double B Minus) (Outlook-Stable)
Fund Based Over Draft	-	3.00		
Non-fund Based Bank Guarantee	11.50	3.45	Short Term	BWR A4 (BWR A Four)
Sub Total	43.51	31.45	(INR Seventy Four Crores Ninety Six Lakhs only)	
Total	74.96			

\*Term loan outstanding as on 28<sup>th</sup> August 2014.

BWR has principally relied upon the audited financial results upto FY13, Provisional financials for FY14, Projected financials upto FY16, publicly available information and information/clarifications provided by the Society's management.

The ratings reflects the established & reputed institution in the education sector, diversified revenue profile supported by extensive experience of society members, satisfactory infrastructure facilities, healthy tangible network, as the management has infused the capital for FY14 and low gearing level supported by moderate debt coverage ratios.

However, the ratings are constrained by very thin margins due to high operating and interest expenses, competition from established and upcoming colleges, vulnerability to regulatory risk associated with the education sector, mitigating attrition risk of the experienced and qualified faculty and the continuous need for capital expenditure for investment in infrastructure facilities.

### Background:

Anil Neerukonda Educational Society (ANES) was formed during the year 2000, the main objective of the society is to organize, establish and manage both Technical and Non-Technical, Medical, Dental & Para medical Colleges and Charitable Institutions and provide healthcare to the poor and needy.

ANES's registered office and all the institutions running under ANES are situated at Visakhapatnam, Andhra Pradesh.

At present, the Society has 4 institutions, more than 380 teaching staff, and around 3150 students.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

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.

Under *Anil Neerukonda Educational Society*, the institution offer courses in Medical, Dental, Engineering, Nursing, MCA etc. Thus the society derives its revenues from diversified course programmes.

Engineering courses are approved by AICTE, MBBS courses are approved by Medical Council of India, BDS courses are approved by Dental Council of India and Nursing courses are affiliated to NTRUHS.

All the institutions of ANES are well equipped with modern facilities, laboratories, library, computer centres, canteen and hostels.

The total Gross enrolment ratio of all the institutions put together is around 97% for the academic year 2013-14.

### **Financial Performance:**

ANES has reported revenue of Rs. 29.51 Cr and surplus of Rs. 0.88 Cr for FY13. ANES's financial risk profile is marked by a healthy tangible networth and thin net margins. Its networth was Rs. 38.65 Cr as on 31<sup>st</sup> March 2013, which is increased from previous years. ANES's gearing was low at around 0.87 times as on 31<sup>st</sup> March 2013 due to strong networth, a primarily debt fund consists of term loans.

As per provisional financials for FY14, ANES has reported revenue of Rs. 36.43 Cr and surplus of Rs. 0.86 Cr for FY14. The society's networth has increased to Rs. 60.26 Cr, mainly due to the management has infused the capital for FY14. The proposed limits of Rs. 31.45 Cr are subject to sanction from the bank.

### **Rating Outlook:**

The outlook is expected to be stable over the current year. Going forward, the ability of the Society to sustain in a competitive environment, improve margins, maintain healthy gross enrolment, expand its infrastructure appropriately would be the key rating sensitivities.

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