

Rating Rationale

Brickwork Ratings on a review Upgrades ratings to 'BWR BB+' & 'BWR A4+' for the Bank Loan Facilities aggregating ₹ 81.37 Cr of M/s Anil Neerukonda Educational Society

On a review, Brickwork Ratings (BWR) has *upgraded* the following **Ratings**¹ for the enhanced Bank Loan Facilities of Rs.81.37 Cr (enhancement from Rs.74.96 Cr) to M/s Anil Neerukonda Educational Society ('ANES' or 'The Society'), as under

Facility	Previous Limits (₹ Cr)	Present Limits (₹ Cr)	Tenure	Previous Rating Sep 2014	Review Rating
Fund Based: Working Capital Term Loans	3.00 57.01	3.50 65.87	Long Term	BWR BB- (BWR Double B Minus) Outlook: Stable	BWR BB+ (BWR Double B Plus) Outlook: Stable Up-gradation
Non-Fund Based: Bank Guarantee	14.95	12.00	Short Term	BWR A4 BWR A Four	BWR A4+ BWR A Four Plus Up-gradation
Total	74.96	81.37	INR Eighty One Crores and Thirty Seven Lakhs only		

Refer Annexure-1 for detailed facilities

BWR has principally relied upon the audited financial results up to FY15, projected financials of FY 18, publicly available information and information/clarification provided by the Society's management.

The revision in the ratings on account of continued low gearing profile, improvement in gross enrolment and healthy corpus fund. The ratings also continues to derive its strengths from experienced society members, long track record of the trust and moderate debt protection metrics. However, the ratings are constrained by ongoing capex in the Society which leads to pressure on gearing level in medium term and vulnerability to regulatory risks with respect to education and hospital sector.

Background:

Anil Neerukonda Educational Society (ANES) was established in 2000 and located in Vishakhapatnam, 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.

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

Society is well equipped with modern infrastructures, laboratories, libraries, canteen and hostels. Gross enrolment ratio improved from 84.02% in AY14-15 (Academic Year) to 93.32% in AY15-16. Total Student strength stood at 4269 in AY15-16 & ~338 students were placed in the placements in AY14-15. Faculty to student ratio is at ~10.09X for AY15-16.

Medical hospital is equipped with 650 beds, 12 Major & 4 Minor Operation Theaters 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 & 130 for both medical and dental hospitals. ~190 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.

Ongoing capex of the Society includes construction of buildings, auditorium with respect to dental and medical college. The capex of the Society is expected to be complete by FY16-17.

Financial Performance

Based on audited FY15 financials, total operating income reported at Rs. 44.74 crores against Rs.37.94 crores in FY14. Operating surplus and net cash accruals reported at Rs. 10.53 crores and Rs.7.25 crores in FY15. The society has reported net deficit in FY15 mainly on account of high depreciation cost. Approx.62% of its total expenses were from employee costs. In FY15, ~75% of revenues generated from tuition fees, ~9% were from hospital income and rest consists of Academic fees, hostel & examination fees. Low gearing profile reported in FY15 on account of healthy corpus fund. Coverage indicators are also at favorable levels.

Rating Outlook

The outlook of the Society is expected to be stable for the next one year. Going forward, ability of the Society to meet its projected financials, to manage its cash flows for ongoing capex & servicing debt obligations, continues to attract enrolments & inpatients with respect to colleges and hospitals & to withstand in the competitive environment will remain key rating sensitivities.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

Disclaimer: Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.

Annexure-I

Name of the Bank	Previous Year Limits Rs. Crores			Present Year Limits Rs. Crores		
	SBI			SBI	Dhanlaxmi Bank	Total
Facilities	Sanctioned	Proposed	Total	Sanctioned	Sanctioned	Total
Working Capital		3.00	3.00	3.00	0.50	3.50
Term Loans	32.01	25.00	57.01	42.87	23.00	65.87
Bank Guarantee	11.50	3.45	14.95	12.00	Nil	12.00
Total	43.51	31.45	74.96	57.87	23.50	81.37

Note: Term Loans O/s as on 21 Jan 2016