

## Rating Rationale

### Brickwork Ratings assigns 'BWR C' for Bank Loan Facilities aggregating to ₹ 8.75 Cr of Arca Education Society.

Brickwork Ratings (BWR) has assigned the following **Rating<sup>1</sup>** for Bank Loan Facilities by Bank of Baroda to Arca Education Society (*AES or the 'Society'*):

Facility	Limits (₹ Cr)	Tenure	Rating <sup>1</sup>
<b>Fund Based :</b>			
<b>Term Loan I</b>	<b>6.03</b>	<b>Long Term</b>	<b>BWR C</b>
<b>Term Loan II</b>	<b>1.29</b>		
<b>Term Loan III</b>	<b>1.43</b>		
<b>Total</b>	<b>8.75</b>	<b>INR Eight Crores Seventy Five Lakhs Only</b>	

*Note: Term Loans outstanding as on 21<sup>st</sup> April, 2015*

BWR has principally relied upon the audited financial results up to FY14, projected financials upto FY16, publicly available information and information/clarifications provided by the Society's management.

The rating reflects the qualified and experienced management and faculty, state of the art infrastructure, healthy gross enrollment ratio and demand for the courses offered by the school under the Society's supervision. The rating however is constrained by the weak financial risk profile characterized by high gearing, low debt coverage indicators and the strained liquidity position leading to delays in repayment of debt obligations.

#### Overview:

Arca Education Society (AES) was established in 2008 by Mr. M. Narasimha Murthy and family. The Society was established with the vision to become a global role model for teaching and learning. The registered office of the Society is in Hyderabad. At present the Society is co-managing an international school namely Global Indian International School (GIIS Uppal Campus - Hyderabad) with Singapore based Global Schools Foundation (GSF). The School offers education from Nursery to Standard XII under CBSE/IGCSE.

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

**Management Profile:**

The Society is presently having a seven member management team. Mrs. M. Saraswathi is the President of the Society and Mr. M. Narasimha Murthy is the General Secretary cum Treasurer of the Society. The other members of the Society are Mr. M. Venkatram (Joint Secretary), Mrs. M. Sarada (Executive Member), Mrs. K. Anuradha (Executive Member), Mrs. M. Lakshmi (Executive Member) and Mr. M. Ramalingam (Honorary Member).

**Financial Performance:**

Total operating income of the Society has marginally increased from ₹ 6.78 Cr in FY13 to ₹ 8.23 Cr in FY14. The Society has reported net loss of ₹ 1.07 Cr in FY14 as compared to net loss of ₹1.13 Cr in FY13.

**Rating Outlook:**

The rating reflects the position of the Society in the Education sector, particularly in pre-primary, primary and secondary school level education segment. Going forward, ability of the Society to achieve its projected revenue, increase enrollments, improve liquidity position and debt protection metrics and stabilize its operations will be the key rating sensitivities.

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