

Rating Rationale

Brickwork Ratings assigns 'BWR BBB' for the Bank Loan aggregating to ₹ 43.31 Cr of Arka Educational & Cultural Trust

Brickwork Ratings has assigned the following **Rating¹** for Bank Credit facility sanctioned/availed amounting to Rs.43.31 Crore by Arka Educational & Cultural Trust (*AECT or the 'Trust'*):-

Facility	Limits (₹ Cr)	Tenure	Rating
Fund Based		Long Term	BWR BBB
Term Loan	43.31		<i>(Pronounced BWR triple B)</i> <i>Outlook-Stable</i>
Total	43.31 (INR Forty Three Crore & Thirty One Lacs only)		

BWR has principally relied upon the audited financial results till financial year 2015, projected financial results for FY16 and FY17 and publicly available information and information/clarification provided by the company's management.

The rating has factored, inter alia, longstanding experience of trustees in managing educational institutes and track record of more than two decades, trusts presence primarily in primary and pre-primary segment having healthy demand prospects. The Rating is however constrained by regulatory risks associated with the educational institutions, highly geared capital structure; however, supported by subordinated unsecured loans from related parties, and high competition in educational sector.

Background:

ARKA Educational & Cultural Trust(AECT) established in year 2009 is part of Jain Group of Institutions, Bangalore. AECT was founded by Mr. R.Chenraj Jain with an objective of providing quality education. The trust manages 38 educational institutions across India, offering courses ranging from preschools to colleges offering UG as well as post graduate courses. Currently more than 18,000 students are studying in various institutes run by AECT. The colleges run by AECT are affiliated to Visvesvarya Technological University and Bangalore University and the schools run by the trust mainly offer CBSE curriculum.

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

About Jain Group:

Jain Group of Institutions was set up in year 1989. The group is headquartered in Bengaluru and manages more than 80 educational establishments, with student intake over 51,000 across India. The courses offered at the various institutions range from the pre-primary, K -12, undergraduate, and postgraduate levels across the campuses.

Financial Performance:

AECT reported achieved revenues of Rs. 94.42 crore in FY 2015 as against revenues of Rs.76.94 crore in FY2014. The company reported a net profit of Rs. 10.56 crore for FY 2015 against net profit of Rs.41.17 crore for FY 2014. AECT's total corpus stood at Rs.35.55 crore as on March 31st 2015.

Rating Outlook:

The rating outlook is expected to be stable over the current year. Going forward, the ability of the trust to maintain favorable liquidity position by timely infusion of capital, timely servicing of debt, maintain healthy gross enrolment and sustain in a competitive environment would be the key rating sensitivities.

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