

Rating Rationale

Brickwork Ratings assigns 'BWR BBB' for the Bank Loan aggregating ₹ 37.57 Cr of Arka Eduserve Pvt Ltd.

Brickwork Ratings has assigned the following **Rating¹** for Bank Credit facility sanctioned/availed amounting to Rs.37.57 Crore by **Arka Eduserve Pvt Ltd. (AEPL or the 'Company')**:-

Facility	Limits (₹ Cr)	Tenure	Rating
Fund Based		Long Term	BWR BBB
Term Loan	37.57		<i>(Pronounced BWR triple B)</i> <i>Outlook-Stable</i>
Total	37.57 (INR Thirty Seven Crore & Fifty Seven 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 promoters in managing educational institutes and track record of more than two decades, healthy demand prospects for education. The Rating is however constrained by highly geared capital structure; however, supported by subordinated unsecured loans from related parties, regulatory risks associated with the educational institutions and high competition in educational sector

Background:

ARKA Eduserve Pvt Ltd (AEPL) incorporated in year 2008, is part of Jain Group, Jain group. AEPL was established to provide consultancy and management services to Arka Educational & Cultural Trust (AECT) and developing infrastructure for AECT. AEPL facilitates the franchising of the Jain group of institutions, specifically Arka Educational & Cultural Trust across multiple geographies. The company has employee strength of 1,700.

The company plans to extend its services of providing consultancy and infrastructure services to other entities as well.

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

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

India. The courses offered at the various institutions range from the pre-primary, K –12, undergraduate, and postgraduate levels across the campuses.

Financial Performance:

AEPL reported achieved revenues of Rs.16.62crore in FY 2015 as against revenues of Rs.15.06 crore in FY2014. The company reported a net profit of Rs.6.04 crore for FY 2015 against net profit of Rs.5.57 crore for FY 2014. AEPL’s net worth stood at Rs.26.89crore 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 company 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.

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.