

## Rating Rationale

### Brickwork Ratings assigns 'BWR BB-' for the Bank Loan Facilities amounting to ₹ 5.29 Cr of Aryabhata Academic Society.

Brickwork Ratings (BWR) has assigned the following **Rating<sup>1</sup>** for Bank Loan facilities sanctioned by *Punjab National Bank* to Aryabhata Academic Society ("AAS" or "The Society")

Facility	Limit ( ₹ Cr)	Tenure	Rating
<b>Fund Based</b>		<b>Long Term</b>	<b>BWR BB-</b> (BWR Double B minus)  <b>Outlook - Stable</b>
Term Loan	<b>5.29#</b>		
<b>Total</b>	<b>5.29</b>		
		<b>INR Five Crores &amp; Twenty Nine Lakhs only</b>	

#- Amount outstanding as of 13<sup>th</sup> May 2014

BWR has principally relied upon audited financial results for FY11 to FY13, provisional financials for FY14, projected financials up to FY15 of *Aryabhata Academic Society*, publicly available information and information/clarifications provided by the management of the Society.

The rating factors in the experience and qualification of the key society members, adequate infrastructure facilities, diverse courses and revenue profile and low gearing levels. However, the rating is constrained by modest scale of operations and net worth levels, moderate surplus margins and gross enrolment figures for the current year.

#### Background:

*Aryabhata Academic Society* ("AAS" or "The Society") formed in the year 2002 with the objective of promoting educational institutions is situated in Ajmer, Rajasthan. The society is running three educational institutions under *Aryabhata Group of Colleges* which are located on two campuses at Ajmer, Rajasthan.

In FY09, AAS established the *Aryabhata College of Technical Education (ACTE)* offering varied graduate, post graduate and diploma courses in the field of science & management.

The Society has also established the *Aryabhata College of Management (ACM)* offering the Master in Business Administration course.

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

In FY10, The Society established the *Aryabhata College of Engineering & Research Centre (ACERC)* offering Bachelor of Technology courses in the fields of Computer Science Engineering, Electronic & Communication Engineering, Electrical & Electronics Engineering, Civil Engineering, Electrical Engineering and Mechanical Engineering.

The institutions are approved by the *All India Council for Technical Education (AICTE)* and have affiliations to *Rajasthan Technical University, Kota* and *Maharshi Dayanand Saraswati University, Ajmer*. All the institutions of AAS are well equipped with adequate modern facilities like laboratories, libraries, computer centres, canteens and hostels.

### **Financial Performance:**

Total Operating Income of the Society has increased from ₹ 2.97 Cr in FY12 to ₹ 4.42 Cr in FY13. The net surplus has increased from ₹ 0.45 Cr in FY12 to ₹ 0.87 Cr in FY13, with net surplus margins at ~19.57 percent over the last year. The modest net surplus margin is due to increased interest costs attributed to loan availed for capital expenditure for faculty/campus expansion. For FY13, the Debt Equity ratio is at 0.80 times. The tangible net worth which has increased from ₹4.04 Cr in FY12 to ₹ 5.64 Cr in FY13 remains low.

According to provisional financials of the society, the Total operating income of the society for FY14 is ~ ₹ 5.96 Cr with a surplus of ~ ₹ 1.63 Cr & an increased net worth of ~ ₹ 8.05 Cr.

### **Rating Outlook:**

The outlook is expected to be stable over the current year. Going forward, ensuring quality education, improving the enrolment ratios, revenues and adequate surplus in the competitive education sector will remain the key rating sensitivities.

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