

## RATING RATIONALE

10 Oct 2019

### Asan Memorial Association

### Brickwork Ratings assigns ratings for the Bank Loan Facilities of Rs 30.50 Crs. of Asan Memorial Association

#### Particulars

Facilities **	Amount (Rs. Crs.)	Tenure	Rating*
Fund based Overdraft ODAP Term Loan	15.00 10.00 3.50	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable
Non Fund Based Bank Guarantee	2.00	Short Term	BWR A4 (Pronounced as BWR A Four)
<b>Total</b>	<b>30.50</b>	<b>Rs Thirty Crores and Fifty Lakhs Only</b>	

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*\* AMA has outstanding vehicle loans from The Federal bank amounting to Rs 0.24 Crs as on 31st March 2019, which is not considered for the rating purpose

#### RATING ACTION / OUTLOOK

BWR believes that **Asan Memorial Association** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures

## KEY RATING DRIVERS

BWR has essentially relied upon the audited financial statements of Asan Memorial Association of FY17, FY18 and FY19, publicly available information and information / clarifications provided by the association's management. The rating draws strength from the vast business experience of the directors, established track of operations and moderate financial risk profile. However, the rating is constrained by the scale of operations and geographical concentration.

### Credit Strengths:

- **Increasing demand in the education sector:** The Indian Education sector has an extensive network of more than a million schools and 800 universities. With India being a country with the largest young population and with the increasing income levels there is a rising demand for quality education.
- **Established presence for over 50 years and good reputation:** AMA was established in 1965 and is in existence for over 50 years. The Association is running various schools and colleges under its credit which has built up a good reputation in and around Chennai. Also its committee members are well experienced in the field of education.
- **Moderate financial risk profile:** The financial risk profile is moderate with a net worth of Rs 32.83 Cr in FY19 (Audited). The gearing and DSCR are moderate at 1.26 times and 1.28 times respectively for FY19 (Audited). However, the ISCR is less than one due to reduction in operating profits.

### Credit Risks:

- **Geographical Concentration:** The Association operates all the educational institutions in and around Chennai. This poses geographical concentration risk to its revenues.
- **Susceptibility to regulations and high competition in the industry:** The Indian education industry is highly regulated by two agencies viz., University Grants Commission Act (UGC) and All India Council for Technical Education Act (AICTE). Also the industry faces intense competition from other schools and colleges.



## ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

## RATING SENSITIVITIES

Going forward, the ability of the entity to achieve projected revenue & profitability margins and manage liquidity would be key rating sensitivities

**Positive:** The rating will be upgraded if there is improvement in the operating margins.

**Negative:** The rating will be downgraded if the scale of operation or student strength further deteriorates.

## LIQUIDITY INDICATORS

The liquidity of AMA seems to be moderate. The cash accruals during FY19 stood at Rs 6.03 Crs. The institution also has fixed deposits with banks amounting to Rs 1.83 Crs in FY19. Out of the Overdraft and ODAP limits of Rs 15 Crs and Rs 10 Crs respectively, the institution has utilized about 90-95%. The DSCR has improved marginally from 0.99 times in FY18 to 1.28 times in FY19 on account of repayment of loans during FY19.

## COMPANY PROFILE

Asan Memorial Association, registered under the Societies Registration Act, was established on 13th June 1965 by Mr. A K Gopalan, Chairman & Founder Secretary, to primarily promote Malayalam Literary culture. AMA runs 7 educational institutions including 4 schools, one Arts and Science college, Engineering college and Dental College in and around Chennai. Mrs. Shyamala Jayaprakash is currently the General Secretary for Asan Memorial Associations, Mr. C. K. Revi is the President and Mr. Gautham Babu is the Executive Director.

## KEY FINANCIAL INDICATORS

Key Financial Indicators	Units	FY18	FY19
Result Type		Audited	Audited
Total operating income	Rs Crs	35.13	34.48
EBITDA	Rs Crs	10.12	2.24

PAT	Rs Crs	-1.27	0.95
Tangible Net Worth	Rs Crs	31.88	32.83
Total Debt/TNW	Times	1.45	1.26
Current Ratio	Times	3.52	0.76

**NON-COOPERATION WITH PREVIOUS RATING AGENCY:** CARE ratings vide its press release dated 22<sup>nd</sup> March 2019 has marked AMA as Issuer not cooperating after assigning BB- (Outlook: Stable).

### COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

#### Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Services Sector](#)

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**Asan Memorial Association**

**ANNEXURE I**

**Details of Bank Loan Facilities rated by BWR**

Sl. No.	Name of the Bank	Type of Facilities	Long Term (Rs.Crs.)	Short Term (Rs.Crs.)	Total (Rs.Crs.)
1	South Indian Bank	Overdraft	15.00	-	28.16
		ODAP	10.00	-	
		Term Loan	0.53	-	
		Term Loan	0.08	-	
		Term Loan	0.55	-	
		Bank Guarantee	-	2.00	
2.	Corporation Bank	Term Loan	2.34	-	2.34
<b>Total Rupees Thirty Crores and Fifty Lakhs only.</b>					<b>30.50</b>

**For print and digital media**

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**About Brickwork Ratings** :Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.



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