Rating Rationale

Bowry Memorial Educational & Medical Trust

19 Sep 2018

Brickwork Ratings assigns the long term rating for the Bank Loan Facilities of Rs. 9.51 Crs of Bowry Memorial Educational & Medical Trust.

Particulars

Facility Rated	Amount (Rs. Crs)	Tenure	Rating*
Fund Based			
Overdraft	**3.00**	**Long Term**	**BWR BB- (Pronounced as BWR Double B Minus) (Outlook: Stable)**
Term Loan	**6.51**		
Total	**9.51**	**INR Nine Crores and Fifty One Lakhs Only**	

*** Please refer to BWR website www.brickworkratings.com/ for definition of the ratings**

Rating: Assigned

Brickwork Ratings assigned the long term rating of 'BWR BB-' with Outlook: Stable to the bank loan facilities aggregating Rs. 9.51 Crores of Bowry Memorial Educational & Medical Trust.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

The rating has factored, inter alia, Trust's existence for 26 years, experienced trustees in managing educational institutions,diversified revenue stream, year on year improvement in net receipts and strong capital structure in FY17. However the rating is constrained by net loss in FY16 and FY17, regulatory risk associated with the education sector and continuous need to maintain infrastructural facilities and intense competition in education sector. Going forward, ability of the trust to manage the institutions effectively, to improve enrolment ratios in the institutions and to provide better infrastructure facilities in order to sustain in a highly competitive education sector will remain the key rating sensitivities.

Rating Outlook: Stable

BWR believes that the business risk profile of Bowry Memorial Educational & Medical Trust. 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.

Analytical Approach:

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

Key Rating Drivers:

Credit Strengths

- **Long Existence of the Trust :** The Trust is in existence for 26 years with satisfactory operational track record.
- **Improvement in Net Receipts:** Net Receipts of the trust has increased from Rs. 13.28 Crores in FY16 to Rs. 14.60 Crores in FY17. Provisionally, the trust has generated receipts of Rs. 21.04 Crores in FY18.
- **Low Gearing:** The total debt to corpus fund of the trust was 0.40 and 0.47 in FY16 and FY17 respectively.

Credit Weaknesses

- **Net Deficit for last two years:** The Trust has reported net deficit of Rs. 0.72 Crores & Rs 1.25 Crores in FY16 & FY17 respectively.
- **Regulatory Risk :** The education sector is highly regulated and the sector continues to operate under stringent regulatory purview.
- **High Degree of Competition:** Increasing competition due to other established educational institutions in the vicinity.

About the Trust

Bowry Memorial Educational & Medical Trust was established in 1992 and based in Jalandhar, Punjab. The trust is managed by nine member management team with extensive experience in managing educational institutions. At present the Trust is managing 9 educational institutions which includes 4 Higher Secondary schools affiliated to CBSE, 3 pre-primary schools and two colleges. In 2016, the trust has established a multi speciality hospital in Jalandhar - “S. Satnam Singh Memorial Innocent Hearts Multispeciality Hospital”.

Trust’s Financial Performance:

The net receipts of the Trust have increased from Rs. 13.28 Cr in FY16 to Rs. 14.60 Cr in FY17. The trust has reported deficit of income over expenditure of Rs. 0.72 Cr and Rs. 1.25 Cr in FY16 and FY17 respectively. However, the Corpus fund of the trust has increased from Rs. 21.98 Crores in FY16 to Rs. 24.44 Cr in FY17.

Key Parameters		31-Mar-2016	31-Mar-2017	31-Mar-2018
		Audited	Audited	Provisional
Net receipts	In ₹ Crs	13.28	14.60	21.04
Operating Surplus Margin	%	9.73	5.56	26.61
Net Surplus Margin	%	-5.43	-8.60	22.05
TNW (Corpus Fund)	In ₹ Crs	21.98	24.44	29.20
Total Borrowings	In ₹ Crs	8.87	11.43	12.92
Total Debt / TNW	Times	0.40	0.47	0.44
TOL / TNW	Times	0.34	0.62	0.49
DSCR	Times	1.36	0.50	2.60
ISCR	Times	1.36	0.78	4.66
Current Ratio	Times	1.45	1.02	2.73

Note: CRISIL assigned the ratings "CRISIL B+/Stable/CRISIL A4" for the bank loan facilities amounting Rs. 13.00 Crores in May 31, 2017 to Bowry Memorial Educational & Medical Trust.

Rating History for the last three years: (including withdrawn/suspended ratings)

Sl. No.	Instrument / Facility	Current Rating (2018)			Rating History		
		Type	Amount (Rs. Crs)	Rating	2017	2016	2015
1	**Overdraft**	**Long Term**	**3.00**	**BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable**	Nil	Nil	Nil
2	**Term Loan**		**6.51**				
Total			**9.51**	**INR Nine Crores and Fifty One Lakhs Only**			

Annexure - I
Details of Rated Facilities

Name of the Bank	Facility	Limit (Rs. Crores)
Oriental Bank of Commerce	Overdraft	3.00
	Term Loan	4.53
Allahabad Bank	Term Loan	1.98
Total Limits		**9.51**

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Services Sector
- Short Term Deb

For any other criteria obtain hyperlinks from website

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Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

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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. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 13,22,500 Cr. In addition, BWR has rated over 7000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹62,000 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

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