

Rating Rationale

Brickwork Ratings assigns 'BWR B' for Bank Loan Facilities aggregating to ₹12.59 Cr of Haji Sheik Ismail Educational and Charitable Trust.

Brickwork Ratings (BWR) has assigned the following **Rating¹** for Bank Loan Facilities by Canara Bank to Haji Sheik Ismail Educational and Charitable Trust (*HSIECT or the 'Trust'*):

Facility	Limits (₹Cr)	Tenure	Rating ¹
Fund Based :			
Over Draft Limit	2.50	Long Term	BWR B (Pronounced BWR Single B) Outlook: Stable
Term Loans*	10.09		
Total	12.59	INR Twelve Crores Fifty Nine Lakhs Only	

Note: * Term Loans outstanding as on 03 April, 2015

BWR has principally relied upon the audited financial results up to FY14, projected financial statement of FY15, publicly available information and information/clarifications provided by the Trust's management.

The rating has factored, inter alia, financial and managerial support of the promoter of the Trust, infrastructure and educational facilities provided by the colleges under its supervision and revenue growth in FY14. However the rating is constrained by firm's low net worth, increasing number of private colleges and intense competition in the education sector.

Background:

Haji Sheik Ismail Educational and Charitable Trust (HSIECT) was established in 2007 with the objective of providing quality education in rural areas. The Trust is promoted by Mr. Mohamed Jahangeer in the name of his father late Haji Sheik Ismail. The registered office of the Trust is in Nagapattinam, Tamil Nadu. The Trust is managed by two of its trustees; Mr. Mohamed Jahangeer (Managing Trustee) and his wife Mrs. Fouziya Begum. The Trust is presently running two educational institutions namely Haji Sheik Ismail Polytechnic College and Haji Sheik Ismail Engineering College; both are located in Nagapattinam, Tamil Nadu.

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

Financial Performance:

Total operating income of the Trust has marginally increased from ₹ 3.88 Cr in FY13 to ₹ 4.29 Cr in FY14. The reported net profit margin of the Trust was 1.05 per cent and 2.59 per cent in FY13 and FY14 respectively. Tangible Net Worth as on 31st March 2014 was ₹ 2.79 Cr.

Rating Outlook:

The rating outlook is expected to be stable over the current year. The rating reflects the position of the Trust in the Education sector, particularly the technical education segment. Going forward, ability of the Trust to achieve its projected revenue, increase enrollments, sustain its profit margins, stabilize its operations and build reputе for the colleges under its supervision will be the key rating sensitivities.

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