Rating Rationale

U C Jain Foundation Trust, Haridwar

1 Aug 2018

Brickwork Ratings assigns rating for the Bank Loan Facilities amounting to Rs 5.87 Crs of U C Jain Foundation Trust

Particulars:

Facility	Limit to be Rated (Rs in Crs)	Tenure	Rating Assigned*
Fund Based Term Loan	5.87	Long Term	BWR B- (Pronounced as BWR Single B Minus) Outlook: Stable
Total	5.87 (INR Five Crores & Eighty Seven Lakhs Only)		

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

Rationale/Rating Sensitivities:

BWR has principally relied upon the audited financial results of U C Jain Foundation Trust (UCJFT) up to FY17, publicly available information and information/clarifications provided by the company.

BWR's rating is constrained by the modest scale of operations, high debt burden on the trust viz a viz its internal net cash accruals, UCJFT's deteriorating capital structure and declining equity because of net losses carried forward in the balance sheet. The debt coverage metrics have remained constrained because of the high interest & principal repayment obligations of the trust coupled with the subsequent net losses in the Wisdom Global School run by the trust.

However, the risks mentioned above are partially offset by the ability of the trustees to infuse unsecured loans in the operations which is helping them service the bank's debt on time. Also, the fixed asset base has increased in FY17 which indicates that the trust has the potential to introduce funds whenever required. The student head count has also increased from 734 (Academic Year 17-18) to 937 students in the current academic year (18-19).

Going forward, ability of the school to increase its student headcount which translates into increased fee collection, reduction in debt either by infusion of fresh funds in the corpus or by improvement in internal cash accruals shall be the key rating sensitivities.

Key Rating Drivers:

Weakness:

- **Modest scale of Operations:** UCJFT's modest scale of operations is reflected in its low gross fee receipts of Rs 4.01 Crores in FY17. Also, net deficit of (1.37) Crores in FY16 and (0.30) Crores in FY17 has resulted in corpus becoming negative at (2.81) Crores at the end of FY17.

- **High debt burden resulting in strained cash flows:** The cash flows of the trust are strained because of high interest costs & principal repayments which the trust is servicing through the unsecured loans. It is the first time in FY17 that the trust has registered positive net cash flows.

Strengths:

- The weaknesses are partially offset by the promoters' ability to infuse unsecured loans which stood at Rs 10.17 Crores and formed a significant portion of the total debt which stood at Rs 17.90 Crores at the end of FY17. Also, there is a moderate growth in the student strength in past two years(CAGR 29.22%) which is expected to continue in medium term.

About the Trust:

The UC Jain Foundation trust was registered on 18th July 2012 and founded by Mr U C Jain along with his sons Nikhil & Rishabh Jain in order to run a school in the name of 'The Wisdom Global School, Haridwar'. The school has a current student headcount of 937 with XIth grade as the highest standard. The school got affiliated to CBSE as per CBSE's letter dated 15th Sept, 2015.

Rating Outlook: Stable

BWR believes that UCJFT's 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 trust is able to post significant increase in its fee receipts with better net margins. The rating outlook may be revised to 'Negative' if there is any unexpected fall in student headcount.

Financial Performance:

The trust booked gross receipts of Rs 4.01 Crores in FY17 as against Rs. 2.45 Crores in FY16. Net deficit stood at Rs (0.30) Crores in FY17 as compared to Rs (1.37) Crores in FY16.

Parameters	FY 2016(A) (Rs. in Crores)	FY 2017(A) (Rs. in Crores)
Net Receipts	2.45	4.01
OSBDIT	0.72	1.93
Net Surplus/(Deficit)	(1.37)	(0.30)
Tangible Net Worth	(2.51)	(2.81)

Rating History for the last three years:

Rating in 2018				Rating History		
Facility	Limit to be Rated (Rs in Crs)	Tenure	Rating Assigned	2017	2016	2015
Fund Based Term Loan	5.87	Long Term	BWR B- (Pronounced as BWR Single B Minus) Outlook: Stable	NA	NA	NA
Total	5.87 (INR Five Crores & Eighty Seven Lakhs Only)					

Status of non-cooperation with previous CRA: NA

Hyperlink/Reference to Applicable Criteria:

- **General Criteria**
- **Approach to Financial Ratios**
- **Service Sector**

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Note on complexity levels of the rated instrument:
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About Brickwork Ratings:
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