Rating Rationale

Oom Shreenikethana Trust (R)

10 Aug 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 19.90 Crores of Oom Shreenikethana Trust (R).

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	19.90	Long Term	BWR B+ BWR Single B Plus Outlook: Stable
Total	19.90	INR Nineteen Crores and Ninety Lakhs Only	

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

Rating Assigned

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon audited figures upto FY17, Provisional Results of FY18, Projected Results of FY19 and information/clarification provided by the Trust's Management.

The ratings draws strength from extensive experience of the trust in the education field and consistent growth in the operating income. The rating is however constrained by very low corpus fund, aggressive growth plans of the trust which will entail significant capital expenditure and may increase the debt funding requirements in the short to medium term, intensely competitive education sector, risks related to regulatory environment in the education sector, high gearing ratio, weak debt protection metrics marked by low DSCR of 0.88 times, weak net profit margins due to high interest expenses.

Description of Key Rating Drivers

- **Credit Strengths:**
  - **Extensive experience of the trust in the education field -** Oom Shreenikethana Trust is in the education field since last five years and offers diversified portfolio of courses through five units from schooling to graduation.
  - **Consistent growth in the operating income -** The operating income of the trust increased by 62% to Rs. 9.67 Cr from Rs. 5.97 Cr supported by increase in total number of students. Further, the occupancy levels of the trust remain healthy at 80%

- **Credit Risks:**
  - Aggressive growth plans of the trust which will entail significant capital expenditure and may increase the debt funding requirements in the short to medium term.

- Given the heightened competition in the education sector, retention and development of talent will continue to remain a factor to achieve further improvement and sustenance of occupancy levels.
- Education section in India is highly regulated thus exposing the trust to any regulatory changes in future.
- Corpus fund of the trust is low.
- The trust has high debt funded capital expenditure which will impact the gearing and the coverage ratios.
- Low DSCR ratio.
- High gearing ratio.
- Net profit margins are low due to high interest expenses

Analytical Approach

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 Outlook: Stable

BWR believes the **Oom Shreenikethana Trust (R)** 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.

About the Trust

Oom Shreenikethana Trust, a Mysuru based trust was established on 29th December, 1983 and registered under Indian Trust Act 1882 in Srirangapatna, Mysuru Dist. The main activities of the trust is to establish, maintain and conduct formal and non-formal education centres. The trust is managed by Dr. M. Puttegowda, Founder Trustee & Chairman of the trust, Mr. Chethan Ram, Dean and Managing Trustee of the trust and Mr. B. V. Kumar, Convenor Trustee and Treasurer of the Trust. All the three have extensive experience in managing the trust. The trust also comprises of Ordinary Trustees and Ex-Officio Trustees. Ordinary Trustees are nominated by Life Trustees from time to time and the discretionary is vested with the Founder Trustee. Ex-Officio Trustees are nominated by the governing body (nominated by the life trustees) from any financing agencies such as state govt, semi govt, national or international, NGOs, Voluntary organisations, funding agencies etc. The trust started its activities by opening creches, LKGs and UKGs in the initial stage. The first two institutions were started at Srirangapatna and Baburayanakoppal. Further it started institutions in Krishnarajasagar and Kodiyala. In 2015, the trust started PARIVARTANA School and College in Srirangapatna - It runs courses from LKG to Graduation. The Graduation courses started by the Trust are B. Com and BBA and has a total strength of 45 students. They have obtained permission from Mysore University to admit 60 seats each for B.Com and BBA Degree Courses. Parivarthan School is affiliated to Central Board

of Secondary Education and the school shall follow the syllabus on the basis of curriculum prescribed by NCERT/CBSE. Sir M. Visvesvaraya Institute of Education is affiliated to Karnataka Board and the school shall follow the syllabus on the basis of curriculum prescribed by Karnataka State Board

Trust Financial Performance

The Trust has reported total operating income of Rs. 9.93 Cr with net surplus of Rs. 0.66 Cr in FY17 as against the total operating income of Rs 5.97 Cr with net surplus of Rs. 1.04 Cr. As per the provisional result of 2017 - 18, the trust has reported total operating income of Rs. 12.03 Cr. The corpus fund of the trust as on March 31, 2017 is Rs. 2.24 Cr as against a corpus fund of Rs. 1.59 Cr as on March 31, 2016.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	2017	2016	2015
	Fund Based	Long Term	19.90	**BWR B+ BWR Single B Plus Outlook: Stable**	**NIL**	**NIL**	**NIL**
	Total		**19.90**	**₹ Nineteen Crores and Ninety Lakhs Only**			

Key Financial Indicators

Key Parameters	Units	2017	2016	2015
Result Type		**Audited**	**Audited**	**Audited**
Operating Revenue	₹ Cr	9.68	5.97	0.56
Operating Surplus	₹ Cr	3.44	2.40	0.22
Net Surplus	₹ Cr	0.66	1.04	0.22
Corpus Fund	₹ Cr	2.24	1.59	0.54
Total Debt/Corpus Fund	Times	8.64	9.09	0.00
Current Ratio	Times	2.39	12.62	13.40

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Services Sector**
- **Short Term Debt**

For any other criteria obtain hyperlinks from website

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Note on complexity levels of the rated instrument:
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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 ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 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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