

## RATING RATIONALE

10 Feb 2020

### Raj Kumari & Ram Gobind Memorial Education Society

**Brickwork Ratings has reaffirmed the rating for the Bank Loan Facilities of ₹. 14.45 Crs of Raj Kumari & Ram Gobind Memorial Education Society**

#### Particulars:

Facility**	Amount (₹ Cr)	Amount (₹ Cr)	Tenure	Previous Rating (August, 2018)	Rating* Assigned
	Previous	Present			
Fund based	14.92	14.45	Long Term	BWR B+ Stable	BWR B+ Stable Reaffirmed
<b>Total</b>	14.92	14.45	INR Forteen Crores and Forty Five Lakhs Only		

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

\*\* Details of Bank facilities is provided in Annexure-I

## RATING ACTION / OUTLOOK

Brickwork rating has reaffirmed the long term rating to BWR B+ /Stable for the bank loan facilities of Raj Kumari & Ram Gobind Memorial Education Society.

The rating draws comfort from the experienced management & society members and unsecured loan of Rs 13.88 Crs from the trust members. The rating however, constrained by weak financial risk profile, geographical concentration of revenue , regulatory risk and stretched liquidity.

The outlook remains stable as at present 751 students are enrolled in the school and fee receipts from the same provides revenue visibility in short to medium term.

## KEY RATING DRIVERS

### Credit Strengths:

- *Experienced Management and society members:* Members of the society have more than two decades of experience in the education sector as they are associated with other



entities as well. School is currently run by Shri Educare LTD who are engaged in providing advisory/consultancy services for starting and managing schools in India and abroad.

### **Credit Weakness**

- **Weak Financial risk profile :** Financial risk profile of the society is characterized by high gearing (Total Debt/TNW) of 5.78X for FY-19. Coverage ratios such as ISCR and DSCR stood at 1.15X and 0.42X for FY-19 respectively which are also below the benchmark level. Financial risk profile is further constrained by Low tangible net worth of Rs 4.97 Crs for FY-19, though supported by unsecured loans of Rs.13.88 crs from trustees.
- **Geographical Concentration of Revenue and Regulatory risk:** Presently, society operates school in the Rohtak region only which suggests geographical concentration of revenue. Operations are regulated by various Government agencies such as C.B.S.E. and Education Department of State Government. Schools have to fulfil various requirements with respect to building, staff and other facilities for affiliations. Society is also further exposed to the sudden policy changes of the Government.
- **Stretched Liquidity:** OD utilization during the last six months is more than 90% which is considered to be high. As on 31.03.2019 current ratio stood at 0.26X is below benchmark level. DSCR of 0.42X shows external funds support is required to service debt.

### **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

BWR has factored in the standalone business parameters and financial risk profile of the company to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked detailed below (hyperlinks provided at the end of this rationale).

### **RATING SENSITIVITIES**

Going forward, the ability of the company to improve scale of operations and profitability margins would be key rating sensitivity.



Positive: The rating outlook may be revised to positive if the company is able to achieve significant growth in revenue and profitability margins.

Negative: The rating may be downgraded if the revenue declines substantially and reported losses further.

### **LIQUIDITY POSITION (Stretched)**

OD utilization during the last six months is more than 90% which is considered to be high. As on 31.03.2019 the current ratio at 0.26X is much below benchmark level. DSCR of 0.42X shows fund support from promoters. Further, after receiving affiliation for 12th Standard in Nov 2019 from next academic session cash flows will be improved going forward

### **Society Profile**

Established in the year 2006 Raj Kumari & Ram Gobind Memorial Education Society is currently running a school in the name of The Little Shri situated at Sec-3, Rohtak. Total strength for the session 2018-19 is 730 Students and intake capacity of the school is 2080 (1080+1000) students.

School is affiliated to CBSE upto Class 10th and in the session 2019-20 school will be upgraded to 12th

Initially they have taken the franchisee of Shri Ram Global School from Shri Ram New Horizons and started school in the name of Shri Ram Global School in the year 2012.

In F.Y 2016-17 they surrendered franchisee and signed the agreement with Shri Educare Ltd who is currently running schools in the name of The Shri Ram School in India.

### ***About Shri Educare Ltd***

Shri Educare Limited (SEL) was set up by The Arun Bharat Ram family in the year 2008. SEL has been formed out of the promoter's commitment to expand their reach of providing quality education. It is essentially engaged in providing advisory/consultancy services for starting a school (Pre-school, K12) in India and abroad, providing ERP solutions to schools, undertaking education consultancy and coaching students to prepare them for CBSE and AIEEE examinations.

Legacy: Lady Shri Ram College and The Shri Ram Schools in Delhi NCR

### KEY FINANCIAL INDICATORS

Key Parameters	Units	FY 18	FY19
Result Type		Audited	Audited
Total Operating Receipts	Rs Crs	6.48	6.58
OSBDIT	Rs Crs	3.32	2.42
SAT	Rs Crs	0.24	-0.61
Corpus	Rs Crs	5.57	4.97
Total Debt/TNW	Times	4.99	5.78
Current Ratio	Times	0.14	0.26

### KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED - NA

### NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY - NA

### RATING HISTORY

Facilities	Current Rating (2020)			Rating History		
	Tenure	Amount (₹ Cr)	Rating	Aug, 2019	Aug, 2018	2017
Fund Based	Long Term	14.45	BWR B+ Stable Reaffirmed	Rating Not Reviewed	BWR B+ Stable	NA
Total		14.45	INR Forteen Crores and Forty Five Lakhs Only			

### 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](#)
- [Short Term Debt](#)

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**ANNEXURE I**

**Details of Bank Facilities rated by BWR**

Name of the Bank	Type of Facilities	Long Term {(₹ Cr)}	Short Term (₹ Cr)	Total (₹ Cr)
OBC	Term Loan	12.45	-	12.45
	OD limit	2.00	-	2.00
<b>TOTAL</b>				<b>14.45</b>

**INR Forteen Crores and Forty Five Lakhs Only**



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