



Rating Rationale

Rishabh Educational Trust

21 Dec 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 6.94 Crores of Rishabh Educational Trust.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based Term Loan Overdraft (proposed)	1.94 5.00	Long Term	BWR BB+ Pronounced as Double B Plus Outlook: Stable
Total	6.94	INR Six Crores And Ninety Four Lakhs Only	

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has primarily relied upon the audited financials of FY17 & FY18 and projected financials of FY 19 & FY 20 and publicly available information and the information / clarification provided by the trust's management.

The rating draws strength from the consistent growth in trust's fee income over the past few years as well as the presence of experienced and well qualified trustees. The rating also factors the healthy fresh enrollments (across courses) of more than 70% for past 3 years and a good placement record of the institute. The rating is further boosted by the average financial risk profile of the trust which reflected in low gearing, moderate corpus, healthy profit margins and comfortable debt coverage indicators.

The rating is however constrained by the susceptibility of education sector to the changes in regulations by the central as well as state government and the intense competition among engineering and management colleges in the region. It is also constrained by a sharp fall in trust's profit in FY 18. The rating is affected by the unfavorable job market in the country for engineering and management graduates in the recent years and their deteriorating employability levels as well as corporate perception about them.

Going forward, the trust's ability to increase its enrollment ratios and its fee income, addition of more courses in future to diversify risk, increase its profitability and its ability to retain and attract qualified and experienced faculty will be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **Consistent growth in fee income:** The trust has registered consistent growth of more than 10% in fee income for past few years as Total Fee Income was Rs.18.91 Cr in FY16, Rs.21.10 Cr in FY 17 & Rs.23.63 Cr in FY 18 and is projected to touch Rs.30.99 Cr in FY 19.
- **Healthy fresh enrollments:** The trust has maintained a healthy fresh enrollments (overall) of more than 70% for past 3 years which augurs well for the brand value its institute enjoys in the region.
- **Average financial risk profile:** The trust has an average financial risk profile marked by low gearing, moderate corpus, healthy surplus margins and comfortable debt coverage indicators.
- **Diversified business profile:** The trust has diversified its risk by foraying into school education sector which now contributes around 35% of the fee income of trust. It also plans to start a course in Law from next academic session which will further increase its fee income and exposure.

Credit Risks:

- **Regulatory risk:** The trust is exposed to regulatory risk as education sector is highly susceptible to policy changes in India both at center as well as state level.
- **Sharp decline in surplus:** The surplus of the trust has fallen sharply last year due to increased expenditure which may hamper it in coming years too.
- **Intense competition:** There exists an intense competition among colleges as there are almost 3300 engineering colleges in India.
- **Unfavorable job market:** There is a risk of not so favourable job market in the country for engineering and management graduates in the recent years. Placements are also affected by deteriorating levels of employability of engineering & management graduates in the country and negative perception of the corporates about them.

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 **Rishabh Educational Trust** 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 receipts and surplus show sustained improvement. The rating outlook may be revised to 'Negative' if the receipts go down and surplus margins show lower than expected figures.



About the Trust

Founded in year 2006, Rishabh Educational Trust runs Tula’s Institute the engineering and management college. It offers various programs in undergraduate & postgraduate level in the fields of Science, Engineering, Management and Technology approved by AICTE and affiliated to Uttarakhand Technical University. The trust also operates a fully residential boarding school which was opened in year 2013. Both the college and school campus are situated in Dhoolkot, Chakrata Road, Dehradun, Uttarakhand.

The campus is spread across 10.33 Acres of land with in-built area of 22913 Sq Metres. There are various other facilities and infrastructure available to facilitate the education process on the campus like auditorium, labs, robotic labs, cafeteria, guest rooms etc.

The college has a cumulative sanctioned intake of 3888 students and a faculty of 150 to facilitate and mentor the students. The college had a fresh intake of 759 students in AY 2018-19 against total available 1074 seats.

The Trust also forayed into school education by establishing an international boarding school in year 2013 and is affiliated to CBSE, New Delhi. The school offers Eo-ed classes from Std VI to XII with a total student capacity of 400. Currently the school has a strength of 218 students who are facilitated by 41 teachers and mentors.

Trust’s Financial Performance

The trust’s operating receipts has grown consistently over the past years from Rs.18.91 Cr in FY 16 to Rs.23.63 Cr. in FY18. The trust has been posting healthy operating surplus margins of 23.93 %, 28.87% & 17.55% in FY16, FY17 & FY18 respectively. The debt protection metrics are at safe levels as reflected in ISCR of 5.98 & DSCR of 2.89 in FY18.

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Total Operating Revenue	₹ Cr	23.63	21.10
SBITDA	₹ Cr	4.15	6.09
Surplus	₹ Cr	1.08	3.57
Corpus Fund	₹ Cr	25.48	24.53
Total Debt/Tangible Net worth	Times	0.23	0.32
Current Ratio	Times	0.49	0.70



Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
I	Fund Based Term Loan Overdraft(proposed)	Long Term	1.94 5.00	BWR BB+ Outlook: Stable	NA	NA	NA
Total			6.94	₹ Six Crores And Ninety Four Lakhs Only			

Status of non-cooperation with previous CRA: NA

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)

Analytical Contacts	Media
<i>Satvinder Kumar Gakhar</i> <i>DGM Ratings</i>	media@brickworkratings.com
analyst@brickworkratings.com	Relationship Contact bd@brickworkratings.com
Phone: 1-860-425-2742	

For print and digital media

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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

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

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.



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