Rating Rationale

Suchitra Education Trust

9 July 2018

Brickwork Ratings assigns BWR B (Outlook: Stable) for the Bank Loan Facilities of Rs. 2.99 Crores of Suchitra Education Trust (SET or the Trust), Hyderabad, Telangana.

Particulars

Facilities[#]	Amount (Rs. Crs)	Tenure	Rating*
Fund based			
Secured Overdraft	1.50	Long Term	**BWR B (Outlook: Stable)** Pronounced as BWR Single B
Term Loans	1.49		
Total	**2.99**	**Rs. Two Crore and Ninety Nine Lakhs Only**	

Annexure I provides bank wise details of facilities
*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rating Assigned

Rationale/Description of Key Rating Drivers/Rating sensitivities:

Brickwork Ratings has essentially relied upon the audited financials upto FY17, FY18 provisionals, publicly available information and information/clarifications provided by the trust's management.

The rating draws strength from the experience of the trustees in the educational sector and operational track record. However, the rating is constrained by the weak financial risk profile marked by low income, continuous losses, eroded corpus, poor debt coverage metrics and stretched liquidity, regulatory risk associated with the education sector and competition from other established educational institutes in Telangana.

Going forward, the ability of the trust to increase its student enrollment, retain experienced faculty and significantly strengthen its overall credit profile would be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **Experienced trustees:** The trustees have been associated with other educational Trusts/Societies in the past and have experience in the educational sector. .
- **Operational Track record:** SET has a track record of around ten years. Total receipts of the academy were Rs.10.21 Crs in FY16 and Rs.10.77 Crs in FY17. On a provisional basis, the academy reported total receipts of around Rs.14 Crs for FY18. Present enrollment is around 1000 students.

Credit Risks:

- **High reliance on the members' financial support to meet the debt obligation:** The trust is not self-reliant and is not generating sufficient cash flows to meet its debt obligations and financial support is required to ensure timely debt servicing . Unsecured loans from trustees & related parties increased from Rs.6.34 Crs in FY16 to Rs.11.12 Crs in FY17.
- **Weak credit profile:** The corpus is fully eroded and debt coverage metrics are inadequate at ISCR of (0.18) times and DSCR of (0.06) times as on 31st March 2017.
- **High competitive intensity**: The trust faces stiff competition from reputed institutes in and around Hyderabad, Telangana. The intense competition in the region adds to the pressure of attracting students as well as to attracting and retaining quality faculty.
- **Exposed to revision in Government regulations that may impact revenue growth and accruals** : The education sector in India is highly regulated by the Government and any adverse regulation on the fee structure carries the risk of downward pressure on the revenue stream.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria below (hyperlinks provided at the end of this rationale).

Rating Outlook: *Stable*

BWR believes the **Suchitra Education Trust'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 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

Suchitra Education Trust (SET) as registered as a trust in 2010 at Hyderabad, Telangana. Suchitra Education Academy (SEA), Hyderabad, Telangana is managed by Suchitra Education Trust (SET) and it offers pre-primary to 10th standard education under the State Board and CBSE curriculum. Present enrollment is around 1000 students. SEA functions from a leased premises.

Mr. D. R. K. Raju, Mr. K. Srihari Raju and Mr. P. Ramakrishnam Raju are the trustees.

Financial Performance

SEA reported total receipts of Rs.10.77 Crs and net loss of Rs.3.83 Crs in FY17 as against receipts of Rs.10.21 Crs and Surplus of Rs.0.20 Crs in FY16. The academy reported operating loss of Rs.1.09 Crs in FY17. Corpus fund is fully eroded and Total Debt was Rs.14.72 Crs, as on 31st March 2017, On a provisional basis, the academy reported total receipts of around Rs.14 Crs for FY18.

Key financial indicators are furnished in Annexure II

Rating History for the last three years

S.No	Facilities	Current Rating (2018)			Rating History		
		Type	Amount (Rs. Crs) #	Rating	2017	2016	2015
1	Secured Overdraft	Long Term	1.50	**BWR B Outlook: Stable**	**NA**	**NA**	**NA**
2	Term Loans		1.49				
	Total		**2.99**	**Rs. Two Crore and Ninety Nine Lakhs Only**			

Status of non-cooperation with other CRA - Not Applicable

Any other information: Not Applicable

Hyperlink/Reference to applicable Criteria

- General Criteria
- Services Sector
- Approach to Financial Ratios

Analytical Contacts	Media
Rajee R ***General Manager - Ratings*** analyst@brickworkratings.com	media@brickworkratings.com **Relationship Contact** bd@brickworkratings.com
Phone: 1-860-425-2742	

Annexure I
Suchitra Education Trust
Hyderabad, Telangana

Name of the Bank	Facilities	Tenure	Facilities Type	Amount Rated (Rs. Crs)
Andhra Bank, Somajiguda Branch, Hyderabad, Telangana.	Secured Overdraft	Long Term	Fund Based	1.50
	Term Loan I			0.88
	Term Loan II			0.61
Total				**2.99**

Annexure II
Key Financial Indicators

(Rs. Crore)	Units	31 Mar 2016 Audited	31 Mar 2017 Audited
Total Receipts	(Rs. Crs)	10.21	10.77
SBITDA	(Rs. Crs)	1.39	(0.25)
SAT	(Rs. Crs)	0.20	(3.83)
Corpus Fund	(Rs. Crs)	(5.32)	(9.16)
Total Debt: Corpus Fund	Times	(1.77)	(1.51)
Current Ratio	Times	0.84	0.69

For print and digital media
The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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. 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.

DISCLAIMER

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