



## RATING RATIONALE

21 April 2020

### Vidya Bal Mandli Society

## Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹ 19.50 Crores of Vidya Bal Mandli Society

### Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (April 2019)	Present
Fund based	19.50	19.50	Long Term	BWR BBB- Stable	BWR BBB- Stable Reaffirm
<b>Total</b>	<b>19.50</b>	<b>19.50</b>	<b>INR Nineteen Crores &amp; Fifty Lakhs Only</b>		

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

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

### RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) has reaffirmed the long-term rating of Vidya Bal Mandli Society (the society) at BWR BBB- with a Stable outlook. BWR has factored in the diversified course offerings by the society. The rating is further supported by diversified experience of management, consistent operational performance, healthy debt protection metrics, strong surplus margins and low gearing.

The Stable outlook indicates a low likelihood of a rating change in the medium term. BWR expects that the Society's performance is likely to be maintained in the medium term.

The rating is constrained by intense competition, regulatory risk and unfavourable job market.

### KEY RATING DRIVERS

#### Credit Strengths :

- **Diversified course offerings by 7 educational institutions spanning undergraduate, graduate, and postgraduate programmes in engineering, management and fashion.**
- **Diversified Experience of Management :** The society also benefits from the extensive experience and a track record of the management which is engaged in printing and

publishing books through a Private Limited Company, Vidya Prakashan Mandir Pvt Ltd.

- **Consistent operational performance** : The Society reports a Total Fee Income amounting Rs.30.28 Cr. and Rs.32.41 in FY18 and FY19, registering a growth of almost 7%. According to the information provided by the management, the society has received total fee income and other receipts of Rs.32.22 Cr. in FY20. The society gets the receipts from its 5 educational institutions having a total capacity intake of 5128 seats. The society also earns receipts from an IB (International Baccalaureate) Global school named Vidya Global School (VGS) and a Finishing School.
- **Moderate Financial Risk Profile** : Debt Protection Metrics are healthy i.e. ISCR at 4.33X in FY19 depicting the strong ability of the society to service its interest obligations on time. DSCR is also strong at 3.92X in FY19 supported by good Cash Accruals of Rs.6.04 Cr. Surplus margins are also strong i.e. Net Surplus Margin and Operating Surplus Margin at 4.67% and 22.97% in FY19. Both the ratios have increased from 2.14% and 20.64% in FY18. The society has reported a strong capital structure in FY19 with Healthy Corpus Fund and Reserves of Rs.50.01 Cr. owing to which Gearing is low at 0.35X in FY19. With no plans for debt-funded capital expenditure (capex), the capital structure is expected to remain comfortable.

#### **Credit risks :**

- **Intense Competition:** The education sector is highly fragmented as there are a large number of small and large private institutes which offer similar kinds of courses in north India. There is a lower demand for engineering and management courses due to high competition and lower placements.
- **Regulatory risk:** The trust is exposed to regulatory risk as the education sector is highly susceptible to policy changes in India both at center as well as state level.
- **Unfavorable job market:** There is a risk of not so favourable job market in the country for engineering and management graduates in recent years. Placements are also affected by deteriorating levels of employability of engineering & management graduates in the country.

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

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

#### **RATING SENSITIVITIES**

Going forward, the society's ability to increase the scale of business would be a key sensitivity over the short to medium term.

**Positive:** The rating outlook may be revised to positive if the society substantially increases in occupancy levels across various courses offered by the institutions. Maintaining its coverage ratios and liquidity position will be credit positive.

**Negative:** The rating may be downgraded if the society is unable to maintain or improve admissions.

### **LIQUIDITY POSITION (Adequate)**

The liquidity position of the society is adequate, marked by healthy Net Cash Accruals of Rs.6.04 Cr in FY19, which has increased from Rs.5.18 Cr. in FY18. There is 50% utilization in its OD Limit. The trust's total corpus fund in FY19 is at Rs.50.01 Cr. The same has increased from Rs.48.49 Cr. in FY18 mainly due to a rise in profitability. Cash and Cash Equivalents of the society in FY19 stands low at Rs.0.96 Cr.

### **SOCIETY PROFILE**

Vidya Bal Mandli Society commenced its operations in 1999 in Meerut (Uttar Pradesh). The society operates 5 educational institutions offering undergraduate, graduate, and postgraduate programmes in engineering, management and fashion having a total capacity intake of 5198 seats. It also operates a global school imparting education till Standard 12. VBMS is also running an IB (International Baccalaureate) Global school named Vidya Global School (VGS) and a Finishing School. VBMS is running all its institutions from its 75 acres campus at Baghpat Road, Meerut. The institutions are running under the following names:

1. Vidya College of Engineering
2. Vidya School of Business
3. Vidya Institute of Fashion Technology
4. Vidya International School of Business
5. Vidya Institute of Creative Teaching
6. Vidya Global School (Cambridge University)
7. Vidya Global School (CBSE)

### **KEY FINANCIAL INDICATORS (in INR Cr)**

Key Parameters	Units	2019	2018
Result Type		Audited	Audited
Total Fee Income	₹ Cr	32.41	30.28
OSBDIT	₹ Cr	7.44	6.25
Surplus after Tax	₹ Cr	1.51	0.65
Corpus Fund	₹ Cr	50.01	48.49
Total Debt/Corpus Fund	Times	0.35	0.32



**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : NIL**

**NON-COOPERATION WITH PREVIOUS RATING AGENCY : NA**

**RATING HISTORY**

Instrument /Facility	Current Rating (April, 2020)			Rating History		
	Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	April,2019	Feb, 2018	2017
<b>Fund Based</b>	Long Term	19.50	<b>BWR BBB-Stable (Reaffirm)</b>	<b>BWR BBB-Stable (Reaffirmed)</b>	<b>BWR BBB-Stable</b>	-
<b>Total</b>		<b>19.50</b>	<b>₹ Nineteen Crores &amp; Fifty Lakhs Only</b>			

**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**

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## Vidya Bal Mandli Society

### ANNEXURE I

#### Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	ShortTerm (₹ Cr)	Total (₹ Cr)
1	Punjab National Bank	OD	19.50	-	19.50
<b>TOTAL</b>					<b>19.50</b>

**Total Rupees Nineteen Crores and Fifty Lakhs only.**

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**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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