



## RATING RATIONALE

28 Jan 2022

### Alvas Education Foundation (R)

**Brickwork Ratings downgrades the ratings for the Bank Loan Facilities of Rs. 103.46 Crores of Alvas Education Foundation (R)**

#### Particulars:

Facility**	Amount (Rs Crs)		Tenure	Rating*	
	Previous	Present		Previous (Dec 2020)	Present
Fund Based	119.61	103.46	Long Term	BWR B+ / Stable (Assigned)	<b>BWR D (Downgrade)</b>
<b>Total</b>	119.61	103.46	<b>Rupees One Hundred Three Crores and Forty Six Lakhs Only</b>		

\*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

The rating downgrade of Alvas Education Foundation primarily factors in the delays in timely servicing of its debt obligations and stretched liquidity position.

#### Key Rating Drivers

#### Credit Risks:

- **Delay in servicing of debt:** There is delay in debt servicing of term loans on account of stretched liquidity resulting from elongated receivables.
- **Competition and regulatory risk:** The Alvas Education Foundation is exposed to persistent high competition in the education sector in the Moodbidri and surrounding regions. It is also exposed to the regulatory controls of the government which might restrict the increase in fees and student strength.

#### Analytical Approach and Applicable Rating Criteria

For arriving at its ratings, BWR has considered the standalone performance of Alvas Education Foundation and has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale)



**Rating Sensitivities**

Going forward, maintaining a financial discipline in order to timely servicing of the debt obligations by the Trust along with increase in the enrollment of students would remain the key rating sensitivities.

**Positive:** The rating would be revised positively with regularization in debt servicing for a period of more than three consecutive months.

**Negative:** Not Applicable.

**Liquidity Position- Stretched**

The liquidity of Alvas Education Foundation was impacted due to delay in fee collection as a result of the pandemic. Though the operating profit stood adequate to cover the interest and finance charges and net cash accruals to total debt stood at 0.20 times in FY21(P), the increased receivable position has impacted the liquidity. Current ratio is modest at 1.05 in FY21(P). Cash and cash equivalents stood limited at Rs. 3.24 Crs as of 30 Sep 2021 (P) against the scale of operations. The liquidity position of the Trust is stretched on account of increased receivables and a sizable debt servicing obligation. The same led to delay in debt servicing in recent months.

**About the Entity**

Alvas Education Foundation is an educational trust established in the year 1995 with the main objective of establishing educational institutions for promoting and imparting professional as well as academic education to the deserving students at an affordable cost. The foundation is promoted by Dr. M. Mohan Alva. It has 21 colleges and schools with 14866 students.

**Key Financial Indicators**

Key Parameters	Units	FY19	FY20
Result Type		Audited	Audited
Total Operating Income	Rs Crs	185.44	194.42
EBITDA	Rs Crs	35.50	37.80
PAT	Rs Crs	3.94	(2.73)
Tangible Net worth	Rs Crs	157.20	154.75
Total Debt/Tangible Net worth	Times	1.37	1.26
Current Ratio	Times	0.37	0.45

**Key Covenants Of The Instrument/Facility Rated:** None

**Non-cooperation With Previous Rating Agency:** CARE B/Stable INC for amount Rs.183.13 Crores dated 15.01.2021



**RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]**

Facilities	Current Rating (2022)			Rating History		
	Tenure	Amount (Rs Crs)	Rating	2021	31.12.2020	2019
Fund Based	Long Term	103.46	<b>BWR D (Downgrade)</b>	NIL	BWR B+/Stable (Assigned)	NIL
<b>Total</b>		<b>103.46</b>	<b>Rupees One Hundred Three Crores and Forty Six 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**

- [Default Recognition and Default Curing Period](#)
- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Education Sector](#)

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**Alvas Education Foundation (R)  
ANNEXURE I**

**Details of Bank Facilities rated by BWR**

S. No.	Bank	Type of Facilities	Long Term (Rs Crs)	Short Term (Rs Crs)	Total (Rs Crs)
1.	Canara Bank	Term Loan	0.43	-	0.43
2.		Term Loan	21.83	-	21.83
3.		Term Loan	16.28	-	16.28
4.		Term Loan	35.89	-	35.89
5.		Term Loan	5.03	-	5.03
6.		Term Loan	20.00	-	20.00
7.		Working Capital	4.00	-	4.00
<b>TOTAL</b>					<b>103.46</b>

**Total One Hundred Three Crores and Forty Six Lakhs Only**

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