



Rating Rationale

AARK India Educational Trust

1 Jul 2019

Brickwork Ratings reaffirms BWR B for the bank loan facilities of Rs 5.50 Crores of AARK India Educational Trust (AARK or ‘the Trust’).

Particulars

Facility	Previous Amount (Rs Crs)	Present Amount (Rs Crs)	Tenure	Previous Rating	Present Rating*
Fund based Overdraft	5.50	5.50	Long Term	BWR B (Pronounced as BWR Single B) Outlook: Stable	BWR B (Pronounced as BWR Single B) Outlook: Stable Reaffirmed
Total	5.50	5.50	INR Five Crores and Fifty lakhs only		

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

#Annexure I shows details of credit facilities

Rating reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of the Trust upto FY18, provisional financials upto FY19, projections upto FY20, publicly available information and information/clarifications provided by the management.

The reaffirmation of ratings factors the promoters experience in the education sector and established regional position of the associated trusts. The rating remains constrained by the below average financial risk profile marked by low revenue receipts, negative surplus and small corpus, susceptibility to regulatory changes and intense competition in the education sector and the stretched liquidity position of the trust.

Going forward, the ability of the Trust to increase its students enrolment, retain qualified and experienced faculty, expand its infrastructure appropriately, strengthen its liquidity and its overall credit risk profile would be the key rating sensitivities.



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

Brickwork Ratings believes that **AARK India Educational Trust's ('AARK' or 'the Trust')** 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 net receipts and net surplus show sustained improvement leading to improvement in cash accruals and strengthening of financial risk profile. The rating outlook may be revised to 'Negative' if the net receipts go down, surplus shows lower than expected figures, working capital cycle is further stretched pressurizing the liquidity position or any major debt funded capital expenditure plan leads to stress on the financial risk profile of the trust.

Key Rating Drivers

Credit Strengths:

- **Established track record and experienced management:** The Trustees and management team of AARK India Educational Trust are experienced and have more than two decades of experience in managing educational institutions. The founder trustees Dr.S.Cletus Babu and Mrs.J.Amali also manage two other associated trusts viz., e Social Change and Development (SCAD Trust) and St.Xavier's Educational Trust having well known Educational Institutions in Tirunelveli, Tuticorin and Coimbatore.

Credit Risks:

- **Small Scale of operations:** Net Receipts of the trust are low at Rs.2.16 Crs in FY17 and Rs.3.14Crs in FY18. During FY19, the net receipts marginally improved to Rs.3.55Crs due to higher student intake.
- **Below average Financial Risk Profile:** The trust had incurred a net loss of Rs.0.77 Crs in FY17 and Rs.0.33Crs in FY18. Overall gearing was high at 4.31 times as on 31st March, 2018 due to erosion of the corpus fund. Current ratio was poor at 0.01 times as on 31st March, 2017 and 0.04 times as on 31st March, 2018
- **Geographical Concentration risk:** The Trust manages only one school which is situated in Tirunelveli, thus resulting in geographical concentration of revenue.



- **Susceptibility to regulatory changes and to intense competition in the education sector:** The education sector is highly regulated in India. The trust has to comply with specific operational and infrastructure norms laid down by regulatory bodies viz., CBSE and other state educational authorities etc. Further, there are various schools in the area, thus increasing competition, which exerts pressure on attracting as well as retaining students and faculty.

Liquidity - Stretched:

Working capital utilisation is almost full and the trust has no access to additional fund based limits. Current ratio is poor. Cash and Cash equivalents of the trust are low at Rs.0.19 Cr in FY18 and Rs.0.01Cr in FY19 (Provisional). The Trust remains exposed to the inherent cash flow mismatches in the educational sector. Timely collection of receipts and financial support from the trustees & associate institutions are critical for timely debt servicing.

About the Trust

AARK India Educational Trust was established in 2007 at Tirunelveli, Tamil Nadu. The school is on the national highway, 3km from Chengalpattu, 45km from Chennai and 8km from Mahindra World City. The trust had setup a school in Chengalpattu, Tamil Nadu called SCAD World School in 2014-2015. As on date, the school has classes upto Eighth Grade. The school has adopted CBSE curriculum. There are 28 teaching staff and 15 non teaching staff.

Dr.S Cletus Babu, Mrs.J.X.Amali, Mr.C.Arun Babu, Mrs.Ignatius Jessy, Mr.M.Rosari, Mrs.A.Mary Augustis and Mr.Arul Santosh Philip are the trustees. Dr.S.Cletus Babu and Mrs.J.Amali are also the founder trustees of AARK India Educational Trust, Social Change and Development (Rated BWR C-) and St.Xavier's Educational Trust.(Rated BWR C) The three trusts belong to SCAD group of institutions .The SCAD group has 11 Educational Institutions. They have been in the educational field since 1989 and started educational institutions in southern districts of Tamil Nadu.

Financial Performance

Key Financial Indicators

Parameters	Units	31 March 2017	31 March 2018
		Audited	Audited
Revenue receipts	Rs Crs	2.16	3.14
SBITDA	Rs Crs	0.60	1.02
SAT	Rs Crs	(0.77)	(0.33)
Corpus Fund	Rs Crs	2.70	1.93
Total Debt: Corpus Fund	Times	3.29	4.31
Current Ratio	Times	0.01	0.04

On a provisional basis, the trust reported receipts of around Rs 3.55 Crs for FY19.

Rating History for the last three years

Sl. No.	Facility	Current Rating (June 2019)			Rating History		
		Type	Amount (Rs. Crs)	Rating	2018	2017	2016
1	Overdraft	Long Term	5.50	BWR B (Pronounced as BWR Single B) Outlook: Stable Reaffirmed	BWR B (Pronounced as BWR Single B) Outlook: Stable	-	-
	Total		5.50	INR Five Crores and Fifty lakhs only			

Status of Non cooperation with other CRA : NA



Any other information : Not applicable.

Hyperlink/Reference to applicable Criteria

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

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AARK India Educational Trust

Annexure I

Details of Rated Bank Facilities

Bank	Facilities	Amount (Rs Crs)
Central Bank Of India	Overdraft	5.50
	Total	5.50



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.

DISCLAIMER

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