

## Rating Rationale

### Brickwork Ratings assigns 'BWR BBB' for the Bank Credit Facilities aggregating ₹ 10.98 Cr of Aditya Academy

Brickwork Ratings (BWR) has assigned the following **Rating<sup>1</sup>** for the Bank Credit Facilities of Aditya Academy.

Facility	Amount Sanctioned (₹ Cr)	Amount Outstanding (₹ Cr)	Tenure	Rating
Over Draft (Fund Based)	1.40	1.40	Long Term	<b>BWR BBB</b> (BWR Triple B)  <b>Outlook: Stable</b>
Term Loans (Fund Based)	14.44	9.58		
<b>TOTAL ₹ 10.98 Cr Rupees Ten Crores Ninety Eight Lakhs only</b>				

BWR has principally relied upon the provisional financial results of FY13, audited results of FY12, FY11 and FY10, and information/clarifications provided by the Society's management.

The rating has factored, inter alia, the experience of the members in educational Society, the demand for courses offered by various institutions under the Society, low debt equity, high gross enrollment ratio and healthy profit margins. The rating is, however, constrained by high competition in the industry, regulatory risks associated with the educational institutions with respect to code of conduct, enrolment, etc. and maintaining quality and sourcing quality teaching staff will prove to be critical factors.

#### Background:

Aditya Academy was established as an educational society in the year 1984 in Kakinada, Andhra Pradesh. The President of the Aditya Academy is Mr. N. Sessa Reddy (founder of Aditya Academy), Vice – President is Sri N. Satish Reddy and Secretary is Sri P. Bhaskara Reddy. The Society has established and is operating 30 educational institutions in Andhra Pradesh. Aditya Academy has started with a public school confining primary and secondary education. In succession, Aditya Academy established a number of Junior Colleges, Degree Colleges, PG Colleges, Engineering Colleges, Pharmacy Colleges, and Nursing Colleges.

Aditya Academy is providing education from LKG to PG level and has 2000 employees and 36500 students are studying in its various constituent schools and colleges. Aditya Academy runs 6 public schools, 6 degree colleges, 8 junior colleges and PG colleges.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Rating

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**Financial Performance:**

Aditya Academy's financial performance is marked by adequate net worth of Rs. 49.93 Cr in FY12, which has increased from Rs. 41.15 Cr reported in FY11. Operating Profit Margin averaged at ~27% for the past 3 years. Total Debt / Tangible Net worth stood at 0.21 times in FY12. Interest and Debt coverage metrics stood at comfortable levels of 12.26 and 5.97 respectively for FY12.

**Rating Outlook:**

Gross Enrolment Ratio (GER) stood at ~88% for 2012-13. While this has improved over the years since inception, improving GER will remain the key factor in determining the growth and stability of the institutions under Aditya Academy. Keeping in view the past performance and projected plans, it is reasonable to expect a stable performance from Aditya Academy in the foreseeable future.

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<b>Annexure I</b>			
<b>Aditya Academy</b>			
<b>Statement of Profit and Loss</b>		<b>In ₹ Crores</b>	
	<b>31-03-2010</b>	<b>31-03-2011</b>	<b>31-03-2012</b>
<b>Result Type</b>	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>
<b>Gross Sales</b>	<b>36.58</b>	<b>43.30</b>	<b>47.06</b>
<b>Net Sales</b>	<b>36.58</b>	<b>43.30</b>	<b>47.06</b>
Other Operating Income	3.98	5.74	10.30
<b>Total Operating Income</b>	<b>40.56</b>	<b>49.05</b>	<b>57.36</b>
Operating Expenses	28.70	35.29	41.84
<b>Operating Profit Before Depreciation, Interest and Taxes</b>	<b>11.86</b>	<b>13.75</b>	<b>15.52</b>
Depreciation/Amortization/Impairment	3.18	3.84	5.60
<b>Operating Profit Before Interest and Tax</b>	<b>8.68</b>	<b>9.92</b>	<b>9.92</b>
Interest and Finance Charges	0.72	0.76	1.27
<b>Operating Profit Before Tax</b>	<b>7.96</b>	<b>9.15</b>	<b>8.66</b>
Non-Operating Income(Expenses)	0.43	0.70	-
<b>Profit Before Tax</b>	<b>8.39</b>	<b>9.85</b>	<b>8.66</b>
<b>Adjusted Profit After Tax</b>	<b>8.39</b>	<b>9.85</b>	<b>8.66</b>

<b>Annexure II</b>			
<b>Aditya Academy</b>			
<b>Balance Sheet</b>	<b>In ₹ Crores</b>		
	<b>31-03-2010</b>	<b>31-03-2011</b>	<b>31-03-2012</b>
<b>Result Type</b>	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Total Equity</b>	<b>31.25</b>	<b>41.15</b>	<b>49.93</b>
Capital Fund	22.86	31.30	41.27
Reserves and Surplus	8.39	9.85	8.66
<b>Long-Term Borrowings</b>	<b>5.33</b>	<b>7.50</b>	<b>9.34</b>
<b>Current liabilities</b>	<b>3.22</b>	<b>4.41</b>	<b>5.03</b>
Short-Term Borrowings	0.75	0.76	0.90
Trade Payables	0.91	1.20	1.43
Other Current Liabilities	1.56	2.45	2.69
<b>Total Liabilities</b>	<b>39.80</b>	<b>53.06</b>	<b>64.29</b>
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>27.13</b>	<b>36.54</b>	<b>49.20</b>
Net Fixed assets	27.13	36.54	49.20
<b>Current assets</b>	<b>12.67</b>	<b>16.52</b>	<b>15.09</b>
Current Investments	3.00	2.85	2.27
Inventories	0.15	0.24	0.14
Trade Receivables < Six Months	0.27	5.49	5.87
Cash and Cash Equivalentents	4.34	5.51	4.41
Short-Term Loans and Advances	4.61	1.53	1.89
Other Current Assets	0.29	0.90	0.51
<b>Total Assets</b>	<b>39.80</b>	<b>53.06</b>	<b>64.29</b>