

## Rating Report

### Brickwork Ratings on a review upgrades ratings to “BWR BB+/A4+” for the Bank Loan Facilities aggregating ₹ 81.37 Crores of M/s Anil Neerukonda Educational Society.

On a review, Brickwork Ratings (BWR) has upgraded the following **Ratings<sup>1</sup>** for the enhanced Bank Loan Facilities of Rs. 81.37 Crores (enhancement from Rs. 74.96 crores) to **M/s Anil Neerukonda Educational Society** (‘ANES’ or ‘The Society’), as under

Facility	Previous Limits (₹ Crs)	Present Limits (₹ Crs)	Tenure	Previous Rating Sep 2014	Review Rating
<b>Fund Based:</b> Working Capital Term Loans	3.00 57.01	3.50 65.87	Long Term	<b>BWR BB-</b> (BWR Double B Minus) <b>Outlook: Stable</b>	<b>BWR BB+</b> (BWR Double B Plus) <b>Outlook: Stable</b> <b>Up-gradation</b>
<b>Non Fund Based:</b> Bank Guarantee	14.95	12.00	Short Term	<b>BWR A4</b> BWR A Four	<b>BWR A4+</b> BWR A Four Plus <b>Up-gradation</b>
<b>Total</b>	<b>74.96</b>	<b>81.37</b>	<b>INR Eighty One Crores and Thirty Seven Lakhs Only</b>		

Refer Annexure-1 for detailed facilities

BWR has principally relied upon the audited financial results up to FY15, projected financials of FY 18, publicly available information and information/clarification provided by the Society’s management.

The revision in the ratings on account of continued low gearing profile, improvement in gross enrolment and healthy corpus fund. The ratings also continues to derive its strengths from experienced society members, long track record of the trust and moderate debt protection metrics. However, the ratings are constrained by ongoing capex in the Society which leads to pressure on gearing level in medium term and vulnerability to regulatory risks with respect to education and hospital sector.

#### Background:

Anil Neerukonda Educational Society (ANES) was established in 2000 and located in Vishakhapatnam, Andhra Pradesh. Society has established four educational institutions in the field of engineering, nursing, medical & dental. Society is also engaged in managing medical and dental hospitals. All the institutions are affiliated to Andhra University,

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

NTRUHS. Society is well equipped with modern infrastructures, laboratories, libraries, canteen and hostels. Gross enrolment ratio improved from 84.02% in AY14-15 (Academic Year) to 93.32% in AY15-16. Total Student strength stood at 4269 in AY15-16 & ~338 students were placed in the placements in AY14-15. Faculty to student ratio is at ~10.09X for AY15-16.

Medical hospital is equipped with 650 beds, 12 Major & 4 Minor Operation Theaters and consists of all major super specialty services. Dental hospital is equipped with all types of specialty services and contains 250 chairs. Average in-patient per day is 800 & 130 for both medical and dental hospitals. ~190 well experienced doctors are working in both the Hospitals.

ANES's management committee headed by Dr. Neerukonda BR Prasad, Dr. Neerukonda Sujatha, Mr. Vasireddy Thapovardhan, Dr. Atluri Prathima, Mr. Neerukonda Naveen, Dr. Atluri Pavan and Mrs. Neerukonda Kavitha are very experienced and few of them have been in the field of education for more than two decades.

Ongoing capex of the Society includes construction of buildings, auditorium with respect to dental and medical college. The capex of the Society is expected to be complete by FY16-17.

### Financial Performance

Based on audited FY15 financials, total operating income reported at Rs. 44.74 crores against Rs. 37.94 crores in FY14. Operating surplus and net cash accruals reported at Rs. 10.53 crores and Rs. 7.25 crores in FY15. The society has reported net deficit in FY15 mainly on account of high depreciation cost. Approx.62% of its total expenses were from employee costs. In FY15, ~75% of revenues generated from tuition fees, ~9% were from hospital income and rest consists of Academic fees, hostel & examination fees. Low gearing profile reported in FY15 on account of healthy corpus fund. Coverage indicators are also at favorable levels.

Details of financial statements have been enclosed in Annexure II & III

### Rating Outlook

The outlook of the Society is expected to be stable for the next one year. Going forward, ability of the Society to meet its projected financials, to manage its cash flows for ongoing capex and servicing debt obligations, continues to attract enrolments and inpatients with respect to colleges and hospitals and to withstand in the competitive environment will remain key rating sensitivities.

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**Annexure-I**

Name of the Bank	Previous Year Limits Rs. Crores			Present Year Limits Rs. Crores		
	SBI			SBI	Dhanlaxmi Bank	Total
Facilities	Sanctioned	Proposed	Total	Sanctioned	Sanctioned	Total
Working Capital		3.00	3.00	3.00	0.50	3.50
Term Loans	32.01	25.00	57.01	42.87	23.00	65.87
Bank Guarantee	11.50	3.45	14.95	12.00	Nil	12.00
<b>Total</b>	<b>43.51</b>	<b>31.45</b>	<b>74.96</b>	<b>57.87</b>	<b>23.50</b>	<b>81.37</b>

Note: Term Loans O/s as on 21 Jan 2016

**Anil Neerukonda Educational Society**  
**Annexure-II: Balance Sheet**

<b>Rs. Crores</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>
<b>Result Type</b>	Audited	Audited	Audited	Audited
<b>Liabilities</b>				
<b>EQUITY AND RESERVES</b>	<b>31.28</b>	<b>38.65</b>	<b>61.22</b>	<b>59.91</b>
Trust capital	2.77	2.77	2.77	2.77
Quasi Equity	14.66	21.16	41.86	43.69
Reserves and Surplus	13.85	14.72	16.59	9.54
<b>Non-current liabilities</b>	<b>20.09</b>	<b>33.51</b>	<b>32.65</b>	<b>48.18</b>
Long-Term Borrowings	20.09	33.51	32.65	48.18
<b>Current liabilities</b>	<b>6.71</b>	<b>11.48</b>	<b>11.49</b>	<b>16.29</b>
Short-Term Borrowings	--	--	--	--
Current Portion Of Long Term Debt	--	--	--	--
Trade Payables	5.31	8.06	7.42	8.31
Other Current Liabilities	1.17	3.10	3.65	7.72
Short-Term Provisions	0.23	0.31	0.42	0.26
<b>Total Liabilities</b>	<b>58.08</b>	<b>83.64</b>	<b>105.36</b>	<b>124.38</b>
<b>ASSETS</b>				
<b>Non-current assets</b>	<b>41.74</b>	<b>68.71</b>	<b>82.19</b>	<b>94.44</b>
Net Fixed assets	19.37	58.21	58.43	83.83
Capital Work-In-Progress	22.36	10.50	23.76	10.61
Other Non-Current Assets	0.00	0.00		
<b>Current assets</b>	<b>16.35</b>	<b>14.93</b>	<b>23.17</b>	<b>29.95</b>
Current Investments	0.16	3.12	--	--
Inventories	0.02	0.07	0.22	0.30
Trade Receivables < Six Months	--	--	--	--
Cash and Cash Equivalentents	7.16	2.62	3.30	2.60
Short-Term Loans and Advances	8.71	8.73	19.65	27.05
Other Current Assets	0.30	0.39	--	--
<b>Total Assets</b>	<b>58.08</b>	<b>83.64</b>	<b>105.36</b>	<b>124.38</b>

***Anil Neerukonda Educational Society***  
***Annexure-III Profit and Loss***

<b>Rs. Crores</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>
<b>Result Type</b>	Audited	Audited	Audited	Audited
<b>Net Receipts</b>	<b>17.01</b>	<b>29.51</b>	<b>35.67</b>	<b>41.69</b>
<b>Other Operating Income</b>	--	--	<b>2.27</b>	<b>3.05</b>
<b>Total Operating Income</b>	<b>17.01</b>	<b>29.51</b>	<b>37.94</b>	<b>44.74</b>
<b>Operating Expenses</b>	<b>12.19</b>	<b>20.83</b>	<b>25.60</b>	<b>34.21</b>
<b>OSBDIT</b>	<b>4.82</b>	<b>8.68</b>	<b>12.34</b>	<b>10.53</b>
Depreciation/Amortization/Impairment	2.08	7.13	7.01	10.39
<b>OSBIT</b>	<b>2.74</b>	<b>1.55</b>	<b>5.33</b>	<b>0.14</b>
Interest and Finance Charges	0.75	1.59	4.53	4.70
<b>OSBT</b>	<b>1.98</b>	<b>(0.04)</b>	<b>0.80</b>	<b>(4.56)</b>
Non-Operating Income(Expenses)	0.58	0.92	1.06	1.42
<b>SBT / Loss Before tax</b>	<b>2.56</b>	<b>0.88</b>	<b>1.87</b>	<b>(3.14)</b>
<b>NCA</b>	<b>4.64</b>	<b>8.01</b>	<b>8.88</b>	<b>7.25</b>