



SMERA RATINGS LIMITED

S J Memorial Education Society (SJM)

Rating Rationale

August 21, 2014

Facility	Amount (Rs. Crore)	Rating
CMORT	10.90	SMERA B+/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B+**' (read as **SMERA single B plus**) to the Rs.10.90 crore long-term (fund based) bank facility of S J Memorial Education Society (SJM). The outlook is '**Stable**'. The rating is constrained by the society's small-scale operations amidst intense competition in the education sector. The rating factors in risks related to the debt-funded capex undertaken by the society. However, the rating is supported by the society's experienced management.

SJM, established in 1999, is a –Gurgaon based education society founded by Mr. Tara Chand Rana. SJM is engaged in running Greenwood Public School, which is a CBSE-affiliated school established in 2003. SJM's small-scale operations are reflected in fee receipt of Rs.6.21 crore in FY13. SJM faces intense competition from several players in the education sector.

The society has also recently undertaken debt-funded capex of Rs.10.90 crore towards registration of land (on which school is currently operational). The challenges of a high interest burden, low operating scale and intense competition from other players are weaknesses that can adversely affect SJM's net profit margins and eventually the company's financial risk profile.

SJM benefits from its experienced management. The society's trustees have around four decades of experienced in the education sector.

Outlook: Stable

SMERA believes the outlook on SJM's rated facility will remain stable over the medium term. The society will continue to benefit from its experienced management and established track record of operations. The outlook may be revised to 'Positive' in case the society registers sustained growth in fee receipt and cash accruals. Conversely, the outlook may be revised to 'Negative' in case of delays in implementation of the society's ongoing project, or in case of deterioration in the society's financial risk profile.

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About the society

SJM, established in 1999, is a Gurgaon-based education society engaged in running Greenwood Public School, which is a CBSE-affiliated senior secondary school (established in 2003) in Gurgaon, Haryana.

For FY2012–13, SJM reported net profit of Rs.1.86 crore on total income of Rs.6.21 crore, as compared with net profit of Rs.1.13 crore on total income of Rs.4.05 crore for FY2011–12. The society booked fee receipt of Rs.7.96 crore (provisional) in FY2013–14. SJM's capital stood at Rs.5.24 crore as on March 31, 2013, as compared with Rs.3.37 crore a year earlier.

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