

May 11, 2015

Facilities	Amount (Rs. Crore)	Rating
Overdraft	12.00	SMERA BB-/Stable (Assigned)
Overdraft (proposed)	2.00	SMERA BB-/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB-**' (**read as SMERA double B minus**) to the abovementioned bank facilities of Samaikya Educations Private Limited (SEPL). The outlook is '**Stable**'. The rating is supported by the company's experienced management. The rating also draws comfort from the company's healthy operating efficiency and diversified income stream. However, the rating is constrained by the modest enrolment rate registered by the school run by the company. The rating is also constrained by the company's exposure to intense competition in the education sector.

SEPL, incorporated in 1999, is a Hyderabad-based entity engaged in running a school (named 'Vikas - The Concept School') affiliated to CBSE and state board. SEPL benefits from its experienced management. The promoters of the company have around four decades of experience in the education sector. SEPL's healthy operating efficiency is reflected in operating profit margin of 38.90 per cent and return on capital employed (RoCE) of 17.50 per cent in FY2013-14 (refers to financial year, April 01 to March 31). The company's income stream is supported by rent of Rs.3.00 crore per annum earned from sister concerns; however, timely receipt of the rental income is a key rating sensitivity.

SEPL's school registered modest enrolment growth of ~5 per cent in AY2014-15 (refers to academic year 2014-15). The number of day pupils in the school increased to 3,208 in AY2014-15 from 2,970 in AY2013-14. The number of residential students in the school declined from 321 in AY2013-14 to 248 in AY2014-15. SEPL faces intense competition from several players in the education sector.

Rating sensitivity factors:

- Student enrolment rate
- Change in cost structure
- Higher-than-expected capital expenditure

Outlook: Stable

SEPL's rating has a 'Stable' outlook. SMERA believes the company will continue to benefit from its experienced management and healthy operating efficiency. The outlook may be revised to 'Positive' in case the company registers higher-than-expected enrolment rate while maintaining healthy profit margins. The outlook may be revised to 'Negative' in case of decline in the company's profit

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margins, or in case of deterioration in the company's financial risk profile on account of debt-funded capex.

About the company

SEPL, incorporated in 1999, is a Hyderabad-based entity engaged in running a school named 'Vikas - The Concept School', which imparts education from KG to Class XII (state board and CBSE curriculum).

For FY2013-14, SEPL reported net profit of Rs.1.83 crore on operating income of Rs.20.31 crore, as compared with net profit of Rs.1.13 crore on operating income of Rs.16.49 crore in FY2012-13. The company's net worth stood at Rs.11.39 crore as on March 31, 2014, as compared with Rs.9.56 crore a year earlier.

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