

December 11, 2015

| Facility | Amount (Rs. Crore) | Rating |
|--|-----------------------|------------------------------------|
| Non-Convertible Debentures (Proposed) | 40.00 | SMERA BB-/Stable (Assigned) |

SMERA has assigned long-term rating of **SMERA BB-'** (read as **SMERA double B minus**) to the above mentioned non-convertible debentures of K12 Techno Services Private Limited (K-12). The outlook is '**Stable**'.

The rating draws comfort from the long track record of operations and extensive experience of the management in the education sector. The rating draws further comfort from the established brand name of 'The Gowtham Model School' and increase in the Orchid International brand of schools from three in FY2013-14 to twelve in FY2014-15 in diverse locations such as Bangalore, Pune, Mumbai and Hyderabad. Besides, SMERA also takes note of the funding that K-12 has received from Sequoia Capital India Investment Holdings and Navneet Learning LLP. However, the rating is constrained by the intense competition in the education sector and relatively new brand (The Orchid) that is yet to establish itself in the market. SMERA also factors in the losses of Rs.30.81 crore incurred in FY2014-15 as compared to profit after tax (PAT) of Rs.4.99 crore in FY2013-14.

Outlook: Stable

SMERA believes K-12 will maintain a moderate business risk profile over the medium term. The company will continue to benefit from its experienced management and established brand name in the education sector. The outlook may be revised to 'Positive' in case the company achieves higher-than-expected growth in revenues while registering profits. Conversely, the outlook may be revised to 'Negative' with deterioration in the financial risk profile.

Rating Sensitivity Factors

- Turning around the company
- Growth in revenues backed by growth in number of students

About the Company

K-12, established in 2010, is a Hyderabad-based company promoted by Mr. Venkata Narayan, Mr. GV Ravi Shankar (Sequoia Capital India Investment Holdings) and Mr. Mohinder Pal Bansal (Navneet Learning LLP). The company provides school management services to various educational trusts. For FY2014-15, K-12 reported losses of Rs.30.81 crore on operating income of Rs.41.53 crore, as compared with profit after tax (PAT) of Rs.4.99 crore on operating income of Rs.54.02 crore for FY2013-14. The company's net worth stood at Rs.82.41 crore as on March 31, 2015, as compared with Rs.92.29 crore a year earlier.

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SMERA RATINGS LIMITED

K12 Techno Services Private Limited (K-12)

Rating Rationale

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