

March 14, 2016

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	2.00	SMERA BB+/Stable (Assigned)
Term Loan I	2.00	SMERA BB+/Stable (Assigned)
Term Loan II	4.64	SMERA BB+/Stable (Assigned)
Term Loan III	1.66	SMERA BB+/Stable (Assigned)

SMERA has assigned long-term rating of '**SMERA BB+**' (read as **SMERA double B plus**) to the above mentioned bank facilities of Life Care Education Society (LCES). The outlook is '**Stable**'. The rating derives comfort from the society's experienced management and above average financial risk profile. However, the rating is constrained by the small scale of operations, geographical concentration risk and exposure to intense competition in the highly regulated education industry.

Outlook: Stable

SMERA believes that LCES will maintain a stable business profile owing to its experienced management. The outlook may be revised to 'Positive' if the society's scale of operations increases owing to increase in fee receipts while maintaining its operating profitability and coverage indicators. Conversely, the outlook may be revised to 'Negative' if it fails to achieve scalability amidst intensifying competition in its area of operation or if the financial risk profile deteriorates due to higher-than-expected increase in debt-funded capex.

Rating Sensitivity Factors

- Scalability of operations while sustaining profitability
- Sustaining operating margins

About the Society

LCES, an Indore-based education society was registered in 2002 by Mr. Anil Rai. The society runs a K-12 school under the name 'Advanced Academy'.

For FY2014-15, LCES registered surplus of Rs.2.03 crore on operating income of Rs.16.67 crore, as compared with deficit of Rs.0.04 crore on operating income of Rs.13.99 crore for FY2013-14.

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