

Press Release

Life Care Education Society

June 15, 2017



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 10.30 Cr.
Long Term Rating	SMERA BB+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB+**' (**read as SMERA BB plus**) on the Rs. 10.30 crore bank facilities of Life Care Education Society. The outlook is '**Stable**'.

The Indore-based Life Care Education Society (LCES) was registered as an education society in April 2002, under the M.P. Society Registration Act. The society runs a K-12 school - Advanced Academy with 2,535 students on an area admeasuring 10 acres. The society is being managed by Mr. Anil Rai and Mr. Vaibhav Rai.

Key Rating Drivers

Strengths

- **Consistent growth in revenue receipts**

The revenue increased from Rs. 16.67 crore in FY2015 to Rs. 17.40 crore in FY2016. In FY2017, the society reported revenue of Rs. 18.23 crore (Provisional).

- **Improved profitability**

The society registered improvment in profit margins. For FY2016, the society registered EBITDA margin of 38.20 per cent compared to 30.89 per cent in the previous year. Further, the PAT margins improved to 21.59 per cent in FY2016 from 12.08 per cent in FY2015.

- **Experienced management**

The management of the society has experience of around 17 years in the education sector.

- **Healthy financial risk profile**

The financial risk profile of LCES continued to remain healthy in FY2015-16. The net worth increased to Rs. 22.75 crore in FY2016 compared to Rs. 18.56 crore in FY2015. The gearing stood healthy at 0.50 times as on 31 March, 2016 as compared to 0.62 times as on 31 March, 2015. The coverage indicators - interest coverage ratio stood healthy at 5.85 times as on 31 March, 2016 (3.25 times for FY2015) and DSCR at 1.42.

- **Structured repayment cycle**

Repayments are structured in tune with the fee collection receipts (quarterly instalment) to meet debt obligations on time. Further, the society generates adequate cash accruals to meet debt obligations.

Weaknesses

- **Intense competition**

LCES offers education only up to standard XII at Indore. The scale of operations is limited and the society faces intense competition from international schools that offer a similar environment with choice for students to progress to colleges set up under the same management.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the society.

Outlook: Stable

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

About the Rated Entity - Key Financials

For FY2016, the society reported (profit after tax) PAT of Rs. 3.76 crore on operating income of Rs. 17.40 crore compared to PAT of Rs. 2.01 crore on operating income of Rs.16.67 crore in the previous year. The net worth stood at Rs. 22.75 crore as on 31 March, 2016 as against Rs. 18.56 crore in the previous year.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Entities In Services Sector - <https://www.smera.in/criteria-services.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
14-Mar-2016	Cash Credit	Long Term	INR 2	SMERA BB+ / Stable
	Term Loan I	Long Term	INR 2	SMERA BB+ / Stable
	Term Loan II	Long Term	INR 4.64	SMERA BB+ / Stable
	Term Loan III	Long Term	INR 1.66	SMERA BB+ / Stable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA BB+ / Stable
Term loans	Not Applicable	Not	Not	2.00	SMERA BB+ / Stable

		Applicable	Applicable		
Term loans	Not Applicable	Not Applicable	Not Applicable	4.64	SMERA BB+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.66	SMERA BB+ / Stable

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