

March 30, 2016

Facility	Amount (Rs. Crore)	Rating
Term Loan I (Proposed)	60.00	SMERA BB+/Stable (Assigned)
Term Loan II (Proposed)	40.00	SMERA BB+/Stable (Assigned)
Cash Credit	21.00	SMERA BB+/Stable (Assigned)
Cash Credit (Proposed)	5.00	SMERA BB+/Stable (Assigned)
Bank Guarantee	4.00	SMERA A4+ (Assigned)

SMERA has assigned long term rating of '**SMERA BB+**' (read as **SMERA double B plus**) and '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.130.00 crore bank facility of JMJ Education Society (JMJES). The outlook is '**Stable**'. The rating derives comfort from the long track of operations, experienced management and healthy financial risk profile marked by improved net worth of Rs. 96.56 crore. The rating also draws support from the comfortable business risk profile of the society marked by increased occupancy ratio and consistent growth in fee receipts. However, the rating is constrained by project overrun cost, intense competition in the education sector and geographical concentration risk.

#### Rating Sensitivity Factors

- Efficient working capital management
- Sustaining growth while achieving stable margins
- Debt funded capex plan

#### Outlook: Stable

SMERA believes that JMJES will benefit from its long standing presence in Bangalore in the long term. 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 the society fails to achieve the 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.

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**About the Society**

JMJES was established in 1991 by Shri B.M.Reddy, the President and Shri B. Premnath Reddy, a Civil Engineer. The Society runs various educational institutions under the name of 'Acharya Institute' in engineering, management, pharmacy, general studies among others. The society reported surplus of Rs.7.07 crore on operating income of Rs.107.75 crore for FY2014-15, as compared with surplus of Rs.4.88 crore on operating income of Rs.97.24 crore in FY2013-14.

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