

May 24, 2016

| Facility | Amount (Rs. Crore) | Rating |
|-----------|-----------------------|----------------------------|
| Term Loan | 7.50 | SMERA B-/Stable (Assigned) |

SMERA has assigned long term rating of '**SMERA B-'** (read as **SMERA single B minus**) on the Rs.7.50 crore long term (fund based) bank facility of Reva (Sunil) Education Society (RES). The outlook is '**Stable**'. The rating is constrained by the nascent stage of operations. The rating is also constrained by the weak financial profile marked by estimated high gearing and relatively low networth resulting in weak debt protection metrics and exposure to risks related to regulatory restrictions in the education sector. However, the rating draws support from the limited competition (fewer schools in the vicinity) and experienced management. The rating is also strengthened by the residential facility and the co-curricular activities such as swimming, skating basketball among others offered by the Society.

RES, established in 2015 by Mr. Sunil Patidar, Mr. Sunil Dora and Mr. Narendra Kumar Gole, is expected to commence operations from July 2016. SMERA believes that enrolling students would remain the key rating sensitivity in spite of an intake capacity of 1320 considering the nascent stage of operations.

However, the promoters possess a decades experience in running educational institutions. Further, the Society also offers co-curricular activities and residential facilities for students.

Outlook: Stable

SMERA believes that RES will maintain a 'Stable' business profile and benefit from the promoters experience in the medium term. The outlook may be revised to 'Positive' if the Society achieves sustained improvement in its financial profile while maintaining a healthy student enrolment rate. Conversely, the outlook may be revised to 'Negative' in case of lower than anticipated student enrolment rate, failure in achieving the expected revenue or deterioration in its financial risk profile due to debt funded capex.

Rating Sensitivity Factors

- Improvement in capital structure
- Scaling up operations
- Debt funded capex

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About the Society

RES (registered under M.P. Society Registration Act, 1973), established in 2015 was promoted by Mr. Sunil Patidar, Mr. Sunil Dora and Mr. Narendra Kumar Gole. It is a non-profit organisation that is aimed at setting up a CBSE affiliated co-educational school under the 'Saket International School' name in Barwani, Madhya Pradesh.

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