

Press Release

Krishanveer Maina Trust

May 10, 2018

Rating Downgraded



Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	SMERA B+ / Stable (Downgraded from SMERA BB-/Stable)

* Refer Annexure for details

Rating Rationale

SMERA has downgraded long term rating to '**SMERA B+**' (read as **SMERA B plus**) from '**SMERA BB-**' (read as **SMERA double B minus**) on the Rs.12.00 crore bank facilities of Krishanveer Maina Trust (KVM). The outlook is '**Stable**'.

The downgrade is in view of lower than expected scale of operations and profitability margins achieved by the trust. SMERA believes that the ability of the trust to maintain its scale of operations and the profitability margins while generate adequate net cash accruals in order to serve its debt obligation will be critical.

Krishanveer Maina Trust was incorporated in 2013 and is managed by Mr. Karamveer Maina, Mrs. Sunita Maina and Mr. Vishal Maina. The trust manages G.D. Goenka International School in Rohtak (Haryana), a Central Board of Secondary Education (C.B.S.E) affiliated school from pre-nursery to high school. The strength of the students in trust stands at 1100 as on 31 March, 2018.

Key Rating Drivers

Strengths:

Experienced management

The Rohtak-based, KVM trust was incorporated in 2013 and is managed by Mr. Karamveer Maina, Mrs. Sunita Maina and Mr. Vishal Maina. The management has gained experience through another trust, namely, Maina Educational Society (MES) incorporated in 2006 managing institutes like KVM College, KVM Nursing College, KVM GNM Training School, KVM M.P.H.W. Training School,

Consistent increase in strength of students

Since the trust has taken the franchise of G.D. Goenka International School, the strength of students has consistently increased with a CAGR of 45.63 percent from FY2013-14 to FY2016-17 evident from 350 students in FY2014-15 to 1081 students in FY2016-17. However, the increase in strength of the students has not enabled the trust to maintain its operating income in FY2016 and FY2017.

Moderate financial profile

The financial risk profile of the trust has remained moderate marked by net worth of Rs.4.70 crore as on 31 March, 2017 as against Rs.4.25 crore as on 31 March, 2016. The gearing stood at 1.77 times as on 31 March, 2017 as against 2.37 times as on 31 March, 2016. The total debt of Rs.8.32 crore outstanding as on 31 March, 2017 is term loan from the bank. The Interest Coverage Ratio increased to 2.22 times in FY2017 as against 1.05 times in FY2016. The net cash accrual of the trust is Rs.1.61 crore in FY2017.

Weaknesses

Subdued operating metrics

KVM has achieved the operating revenue of Rs.4.42 crore and net loss of Rs.0.01 crore in FY2017 as against operating revenue of Rs.0.98 crore in FY2016. In FY2017, the trust has changed its accounting policy from 10B to 3CB. However, the trust has reported lower than expected revenues and profitability

margins in FY2017 as against FY2016. SMERA believes that the ability of the trust to maintain its scale of operations, profitability margins and generate adequate net cash accruals in order to serve its debt obligation will be critical.

Fragmented and competitive nature of education industry

Education business in and around Rohtak (Haryana) is marked by the presence of several players. The government is taking up initiatives such as Aapki Beti Hamari Beti, Haryana Kanya Kosh, Multi-Sectoral Nutrition Programme and Beti Bachao, Beti Padhao Programme in order to spread awareness towards education for girl child.

Analytical Approach

SMERA has taken the standalone view of the business and financial risk profile of Krishanveer Maina Trust to arrive at this rating.

Outlook: Stable

SMERA believes that KVM will maintain a 'Stable' outlook in the medium term on the back of experienced promoters. The outlook may be revised to 'Positive' in case the company registers higher than expected revenues while booking healthy profit margins. Conversely, the outlook may be revised to 'Negative' in case of higher than anticipated debt-funded capital expenditure and/or failure to attain expected cash flows.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	4.42	0.98	0.94
EBITDA	Rs. Cr.	2.93	0.06	0.06
PAT	Rs. Cr.	-0.01	0.00	0.00
EBITDA Margin	(%)	66.20	5.75	6.18
PAT Margin	(%)	-0.32	0.26	0.11
ROCE	(%)	9.55	0.40	0.80
Total Debt/Tangible Net Worth	Times	1.77	2.37	2.46
PBDIT/Interest	Times	2.22	1.05	1.02
Total Debt/PBDIT	Times	2.84	173.48	177.37
Gross Current Assets (Days)	Days	35	278	342

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Service Entities - <https://www.smera.in/criteria-service.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. Crore)	Ratings/Outlook
15-Jan-2018	Term Loan	Long Term	12.00	SMERA BB- (Issuer not co-operating) *
19-Sep-2016	Term Loan	Long Term	12.00 (Revised from Rs.10.00 Cr)	SMERA BB-/Stable (Reaffirmed)
24-Jun-2016	Term Loan	Long Term	10.00	SMERA BB-/Stable (Assigned)

*The issuer did not co-operate; Based on best available information.

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	12.00	SMERA B+ / Stable (Downgraded from SMERA BB-/Stable)

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ABOUT SMERA

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