

Press Release

30 December, 2017

BHORUKA CHARITABLE TRUST (BCT)

Rating Reaffirmed



Total Bank Facilities Rated *	Rs.10.00 cr
Long Term Rating	SMERA BB+/ Outlook: Stable
Short Term	SMERA A4+

Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA BB+**' (**read as SMERA double B plus**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 10.00 crore bank facilities of BHORUKA CHARITABLE TRUST (BCT). The outlook is '**Stable**'.

BCT was incorporated in 1962 by Mr. P D Aggarwal. The trust is engaged in the execution of health, water and sanitation projects for the state governments of Rajasthan, Karnataka and Andhra Pradesh. It also manages schools and colleges in Churu district, Rajasthan. Further, the trust has also established the Bhoruka Group of Industries. The current trustee of BCT is Dr. Ashok Agarwal.

Key Rating Drivers

Strengths

Experience management

BCT was incorporated in 1962 by Mr. P D Aggarwal in Rajasthan. Dr. Ashok Agarwal, possess over two decades of experience in the aforementioned business. SMERA believes that BCT will continue to benefit from its trustee's experience in the said business and that the trustee will continue to support the growth from time to time.

Above average financial risk profile

BCT has above average financial risk profile marked by net worth of Rs.9.87 crore as on 31 March, 2017 against Rs.9.48 crore as on 31 March, 2016. The gearing (debt-to-equity) stood at 0.40 times as on 31 March, 2017 against 0.54 times as on 31 March, 2016. The total debt of Rs.3.95 crore comprises working capital limits of Rs.1.21 crore, term loan of Rs.2.46 crore and unsecured debt from friends and relatives of Rs.0.28 crore. The Interest Coverage Ratio (ICR) stood at 3.39 times for FY2017 against 4.46 times for FY2016. The NCA/TD stood at 0.33 times for FY2017. SMERA believes that the company will be able to maintain its capital structure over the medium term on account of its comfortable net accruals and lower reliance on debt funded capital expenditure plan.

Weaknesses

Small scale of operations

The scale of operations is small marked by operating income of Rs.18.12 crore for FY2017, as against Rs.21.23 crore for FY2016 and Rs.17.06 crore for FY2015.

Fragmented and competitive industry

The trust is exposed to intense competition in the education industry. Additionally, it is also exposed to competition from international schools in and around Bhorugram, Rajasthan offering choice of progressing to colleges set up under the same foundation.

Geographical concentration

BCT is exposed to geographical concentration risk since the society's operations are limited to Bhorugram, Rajasthan.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of BCT to arrive at the rating.

Outlook: Stable

SMERA believes that BCT will maintain a stable outlook over the medium term owing to the extensive experience of the management. The outlook may be revised to 'Positive' in case the trust registers significant growth in scale of operations while achieving sustained improvement in its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of lower than expected cash accruals, or deterioration in the financial profile on account of large debt-funded capital expenditure

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	18.12	21.23	17.06
EBITDA	Rs. Cr.	1.68	3.01	1.17
PAT	Rs. Cr.	0.25	1.54	0.09
EBITDA Margin	(%)	9.27	14.16	6.83
PAT Margin	(%)	1.37	7.26	0.54
ROCE	(%)	5.59	16.12	4.57
Total Debt/Tangible Net Worth	Times	0.40	0.54	0.70
PBDIT/Interest	Times	3.39	4.46	2.71
Total Debt/PBDIT	Times	2.13	1.62	4.23
Gross Current Assets (Days)	Days	107	119	110

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>
- Entity in Service Sector - <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

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
30-Aug-2016	Proposed Long Term Loan	Long Term	INR 3.61	SMERA BB+ / Stable
	Term Loan	Long Term	INR 1.5	SMERA BB+ / Stable
	Term Loan	Long Term	INR 1.89	SMERA BB+ / Stable
	Term Loan	Long Term	INR 1	SMERA BB+ / Stable
	Cash Credit	Long Term	INR 1.5	SMERA BB+ / Stable
	Bank Guarantee	Short Term	INR 0.5	SMERA A4+

*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 loans	Not Applicable	Not Applicable	Not Applicable	0.60	SMERA BB+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.49	SMERA BB+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.83	SMERA BB+ / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA BB+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4+
Proposed	Not Applicable	Not Applicable	Not Applicable	5.08	SMERA BB+ / Stable

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ABOUT SMERA

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