

Press Release

Yuvaka Sangha

February 20, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA B- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B-**' (read as **SMERA B minus**) on the Rs. 10.00 crore bank facilities of Yuvaka Sangha. The outlook is '**Stable**'.

YS, established in 1957 at Bengaluru, is an educational society. The society plans to set up a school (upto Std 10) at a total project cost of Rs.25.19 crore to be funded through capital funds of Rs.4.00 crore, term loan of Rs.11.00 crore and unsecured loan of Rs.10.19 crore.

Key Rating Drivers

Strengths

- **Experienced promoters**

The promoters, Mr. Chikkaiah and Mr. K. M. Nagaraj, possess extensive experience in the educational sector.

Weaknesses

- **Project execution risk**

The rating take into account the project specific risks since delays in implementation may impinge on the future cash flows.

- **Weak financial risk profile**

The weak financial risk profile is marked by high gearing of 3.92 times in FY2015-16 as against 3.63 times a year earlier. The net worth has been moderate and stands at Rs.4.02 crore for the past three years.

- **Competitive and fragmented industry**

YS faces competition from organised and unorganised players in the industry.

Analytical Approach

SMERA has taken a standalone view of the business and financial risk profiles of Yuvaka Sangha.

Outlook: Stable

SMERA believes that YS will maintain a stable outlook over the medium term owing to the extensive experience of its promoters in the sector. The outlook may be revised to Positive in case the society registers higher than expected scale of operations while achieving projected profit margins. Conversely, the outlook may be revised to Negative in case of delay in project completion and/or lower than expected cash flow impinging the ability to service debt.

About the Rated Entity - Key Financials

YS, established in 1957 at Bengaluru, is an educational society led by Mr. K. M. Nagaraj, President. The school is expected to start operations from June 2017.

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

Not Applicable

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)**

Not Applicable

***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	10.00	SMERA B- / Stable

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