

Press Release

Kamla Nehru Institute of Child Education (KNICE)

March 17, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.8.90 Cr
Long Term Rating	SMERA BB/Stable (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB**' (**read as SMERA double B**) to the Rs.8.90 cr bank facility of Kamla Nehru Institute of Child Education (KNICE). The outlook is '**Stable**'.

KNICE, incorporated in 1999, is an education society that runs Kamla Nehru Institute of Child Education, a school at Sultanpur, Uttar Pradesh, led by Mr. Babu Shri Nath Singh (Patron), Mr. Ram Varan Dwivedi (Chairman) and Mr. Vinod Singh (Secretary).

List of key rating drivers and their detailed description

Strengths:

Experienced management: Mr. Babu Shri Nath Singh, Mr. Ram Varan Dwivedi and Mr. Vinod Singh possess experience of more than three decades in the education industry. The management also runs other educational societies i.e. Kamla Nehru Memorial Trust and Kamla Nehru Institute of Management and Technology.

Moderate financial risk profile: The society has moderate financial risk profile marked by comfortable profitability margins and gearing. The operating profitability margin stood at 61.82 per cent in FY2015-16, an improvement from 33.57 per cent in FY2014-15. The gearing stood comfortable at 0.51 times as on 31 March, 2016. The Net Cash Accruals to Total Debt (NCA/TD) was comfortable at 0.84 times in FY2015-16. The current ratio stood at 7.07 times in FY2015-16 as compared to 1.53 times in the previous year. The net worth stood at Rs.9.52 cr as on 31 March, 2016, an improvement from 6.31 cr as on 31 March, 2015.

Setting up of another school: KNICE has set up another school at Ghaziabad under the brand name, Bharat Ram Global School (BRGS) which, commenced operations in 2016.

Weaknesses:

Small scale of operations: The society registered operating income of Rs. 6.52 cr in FY2015-16 as against Rs.4.11 cr in FY2014-15. For the period April 2016 to September 2016 (Provisional), the operating income stood at Rs.4.96 cr.

Limited track record of operations of BRGS: BRGS has limited track of operation as the first academic session began in 2016 and the school is functional till class 3rd. The risk is partially mitigated on account of robust response in terms of student strength and fees charged.

Competitive and fragmented nature of industry: The education business in and around Uttar Pradesh is marked by the presence of several players. Further, KNICE faces competition from established and upcoming educational institutions.

Analytical approach: SMERA has considered the standalone business and financial risk profile of the society.

Applicable Criteria

- Service Sector: <https://www.smerra.in/criteria-services.htm>
- Application of Financial Ratios and Adjustments: <https://www.smerra.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smerra.in/criteria-default.htm>

Rating Sensitivity Factors

- Enrolment of new students
- Successful take off of the new school
- Large debt funded capex in future

Outlook: Stable

SMERA believes that the outlook on KNICE's rated facility will remain stable over the medium term on account of the experienced management and comfortable financial risk profile. The outlook may be revised to 'Positive' if the society achieves better than expected growth in revenues, student strength and the new school does well. Conversely, the outlook may be revised to 'Negative' in case of decline in profitability, deterioration of capital structure or any large debt capex plan undertaken by the society.

About the Rated Entity

Kamla Nehru Institute of Child Education (KNICE) is an education society registered under Societies Act, 1860 in 1999. KNICE is led by Mr. Babu Shri Nath Singh (Patron), Mr. Ram Varan Dwivedi (Chairman) and Mr. Vinod Singh (Secretary). The society runs the aforementioned school which is in operation since 2000 at Uttar Pradesh.

In FY2015-16 the society achieved operating income of Rs.6.52 cr with Profit After Tax (PAT) of 3.59 cr as compared to operating income of Rs. 4.11 cr with net profit of 1.00 cr a year earlier. The networth of the society stood at Rs.9.52 cr in FY2015-16 as compared to Rs. 6.31 cr a year earlier.

Status of non-cooperation with previous CRA (if applicable): N.A

Any other information: N.A

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Term Loan	LT	8.90	SMERA BB/Stable (Assigned)	-	-	-	-	-	-

*Annexure – Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr)	Ratings/ Outlook
Term Loan	N.A	N.A	June 2022	Rs. 8.90	SMERA BB/Stable (Assigned)

Note on complexity levels of the rated instrument:
<https://www.smera.in/criteria-complexity-levels.htm>
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ABOUT SMERA

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