

Press Release

Ujwal Trust

March 23, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (read as **SMERA BBB minus**) on the Rs. 20.00 crore bank facilities of Ujwal Trust. The outlook is '**Stable**'.

The Ujwal Trust, a charitable and non-profit organisation was established in 1982 by Mrs. Anne Warrior, Dr. Geetha Narayanan and others. The trust runs Mallya Aditi International School and Srishti Institute of Art, Design and Technology at Bangalore. The Mallya Aditi International School with a campus spread across 20,500 sq. m. is affiliated to Council for the Indian School Certificate Examinations Centre (Delhi) and Cambridge International Fellowship Centre (UK) . The school offers classes from Std 1 to 12 and has around 600 students. The Srishti Institute of Art, Design and Technology is also affiliated to Mysore and Manipal Universities.

Key Rating Drivers

Strengths

- **Long track record of operations and qualified management**

Established in 1982, Ujwal Trust has been in existence for the past three and a half decades. The Trust, founded by Mrs. Anne Warrior, Dr. Geetha Narayanan and others runs Mallya Aditi International School and Srishti Institute of Art, Design and Technology at Bangalore. The management possesses extensive experience in the industry.

- **Healthy financial risk profile**

The financial risk profile is marked by healthy debt protection metrics, comfortable gearing and net worth base. Both interest coverage ratios and debt service coverage ratio stood at 31.26 times in FY2016. The gearing stood at 0.23 times in FY2016 as compared to 0.10 times in FY2015. The debts mainly comprise working capital facilities of around Rs. 7.04 cr in FY2016. The net worth base stood at Rs.31.01 cr as on 31st March 2016.

- **Wide range of courses**

The courses offered by Srishti Institute of Art, Design and Technology include undergraduate, post graduate and doctorate programs in subjects like arts, design and planning. The educational institutions are affiliated to the Mysore and Manipal universities.

Weaknesses

- **Modest scale of operations**

The scale of operations is modest marked by fee receipts of Rs.50.31 cr in FY2016 as against Rs.45.75 cr in FY2015. However, the same has grown at a CAGR of 16.44 percent during FY2014-16. Also, the fee receipt for FY2017 is expected to be around Rs.56.40 cr. SMERA expects a consistent growth in fees receipt with increase in sanctioned intake while maintaining healthy occupancy in both institutions.

- **Exposure to intense competition**

The institutes under Ujwal Trust offer various graduate and under graduate courses and run at almost full occupancy. However, it faces intense competition from other private institutions offering similar courses.

Analytical Approach

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

Outlook: Stable

SMERA believes that Ujwal Trust will maintain a stable outlook in the medium term while benefitting from its long track record of operations and healthy financial risk profile. The outlook may be revised to 'Positive' in case the trust registers higher than expected revenue and surplus. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

About the Rated Entity - Key Financials

For FY2016, the Ujwal Trust reported a surplus of Rs.3.71 cr on total fee income of Rs.50.31 cr, as compared with surplus of Rs.7.61 cr on total fee income of Rs.45.75 cr in FY2015. The tangible net worth stands at Rs.31.01 cr in FY2016 as compared to Rs.29.40 cr in FY2015.

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>
- 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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BBB- / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA BBB- / Stable

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ABOUT SMERA

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