

Press Release

Ujwal Trust (UT)

May 28, 2018

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

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

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. Mallya Aditi International School has its campus spread across 20,500 sq. m. and is affiliated to Council for Indian School Certificate Examinations Centre (Delhi) and Cambridge International Fellowship Centre (UK). The school offers classes from standard 1 to 12 and has around 600 students. The Srishti Institute of Art, Design and Technology is affiliated to Bengaluru Central University and Manipal University.

Key rating drivers

Strengths:

Established track record of operations and experienced management

Established in 1982, Ujwal Trust has been successfully running Mallya Aditi International School and Srishti Institute of Art, Design and Technology at Bangalore for the past two decades. The management possesses over two decades of experience in the education industry.

Comfortable financial risk profile

The financial risk profile is comfortable marked by tangible networth of Rs.33.55 crore as on 31 March, 2017 as against Rs.31.01 crore as on 31 March, 2016. The gearing stood at 0.27 times as on 31 March, 2017 as against 0.23 times as on 31 March, 2016. The total debt of Rs.9.12 crore as on 31 March, comprises working capital borrowings. The coverage indicators stood comfortable with Interest Coverage Ratio at 10.71 times for FY2017 as against 31.26 times for FY2016. Further, Debt to EBITDA stood at 1.75 times in FY2017 as against 1.21 times in FY2016. SMERA believes that Ujwal Trust's comfortable financial risk profile will continue to support the stable credit profile of the trust.

Weaknesses:

Moderate scale of operations and profitability

The trust reported fee receipts of Rs.58.96 crore in FY2017 as against Rs.50.31 crore in FY2016. The same has grown at a CAGR of 16.69 percent during FY2014-17. The fee receipt for FY2018 (Provisional) is Rs.71.24 crore. The increase in fee receipts is mainly revision in fees along with increase in student intake. Earnings before interest, tax, depreciation and amortisation (EBITDA) margins declined to 3.31 percent in FY2017 from 5.16 percent in FY2016.

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 considered the standalone business and financial risk profiles of Ujwal Trust to arrive at the rating.

Outlook- Stable

SMERA believes that UT will maintain a 'Stable' outlook over the medium term on account of established track record and support of experienced management. The outlook may be revised to 'Positive' in case of significant improvement in business risk profile while maintaining its profitability. Conversely, the outlook may be revised to 'Negative' in case of decline in scale of operations or financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	58.96	50.31	45.75
EBITDA	Rs. Cr.	1.95	2.59	6.85
PAT	Rs. Cr.	2.55	3.71	7.61
EBITDA Margin	(%)	3.31	5.16	14.97
PAT Margin	(%)	4.32	7.37	16.63
ROCE	(%)	7.51	11.05	28.57
Total Debt/Tangible Net Worth	Times	0.27	0.23	0.10
PBDIT/Interest	Times	10.71	31.26	193.84
Total Debt/PBDIT	Times	1.75	1.21	0.32
Gross Current Assets (Days)	Days	49	46	102

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Service 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)

Date	Name of Facilities	Term	Amount (Rs. Crore)	Ratings/ Outlook
23-Mar-2017	Cash Credit	Long Term	5.00	SMERA BBB- /Stable (Assigned)
	Proposed Cash Credit	Long Term	15.00	SMERA BBB- /Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	18.00	SMERA BBB- /Stable (Reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA BBB- /Stable (Reaffirmed)

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