

Press Release

Ujwal Trust

August 22, 2019

Rating Upgraded



Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	ACUITE BBB/Stable (Upgraded from ACUITE BBB-/Stable)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) from '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 20.00 crore bank facilities of UJWAL TRUST (UT). The outlook is '**Stable**'.

The rating upgrade reflects improving revenues, profitability and financial risk profile. The operating revenues have increased to Rs.77.14 crore in FY2019 (Provisional) from Rs.69.29 crore in FY2018. Further, Profit after Tax (PAT) had also increased to Rs.10.42 crore in FY2019 (Provisional) from Rs.4.64 crore in FY2018. Further, the rating is supported by experienced management and comfortable financial risk profile.

Ujwal Trust, 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.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of UT to arrive at the rating.

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 past two decades. The management possesses over two decades of experience in the education industry.

- **Increase in scale of operations and profitability**

The trust has reported healthy revenue growth with compounded annual growth rate (CAGR) of around ~14.28 per cent through the last three years ended 31 March, 2019 (Provisional). The trust reported revenue growth of ~11.33 per cent with operating income of Rs.77.14 crore in FY2019 (Provisional) as against operating income of Rs.69.29 crore in FY2018. The operating margins of the trust stood at 11.40 per cent in FY2019 (Provisional) as against 5.50 per cent in FY2018. The growth is on account of the increase in number of students and annual increase in fees.

- **Comfortable financial risk profile**

The financial risk profile is comfortable marked by moderate net worth and comfortable debt protection measures and gearing. The net worth of the trust stood at Rs.50.64 crore as on 31 March, 2019 (Provisional) as against Rs.38.19 crore as on 31 March, 2018. The gearing of the trust stood comfortable at 0.20 times as on March 31, 2019 (Provisional) as against 0.24 times as on March 31 2018. Total debt of Rs.10.06 crore consists of working capital facility of Rs.10.06 crore as on 31 March, 2019 (Provisional). Further, the working capital facility is used only during December to March, 2019. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.71 times as on 31 March, 2019 (Provisional) as against 0.75 times as on 31 March, 2018. Interest Coverage

Ratio (ICR) stood comfortable at 34.85 times in FY2019 (Provisional) as against 19.24 times in FY2018. Net Cash Accruals/Total Debt (NCA/TD) stood at 1.27 times as on 31 March, 2019 (Provisional) as against 0.74 times as on 31 March, 2018. Debt Service Coverage Ratio (DSCR) stood at 34.85 times in FY2019 (Provisional) as against 19.24 times in FY2018.

Weaknesses

• Exposure to intense competition and stringent regulatory framework for the educational sector in India

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. Further, various agencies under the State and Central Government prescribe regulatory framework depending on the professional courses offered. Hence, the group is subject to stringent regulatory framework for the educational sector in India.

Liquidity Position:

UT has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The trust generated cash accruals of Rs.4.73 to 12.76 crore during the last three years through 2017-19 (Provisional), while its maturing debt obligation was nil over the same period. The trust's working capital operations are efficient as marked by low gross current asset (GCA) days of 65 in FY2019 (Provisional). However, the reliance on working capital borrowings is high, the cash credit limit in the trust remains utilized at ~95 per cent during the last 3 months' period ended June, 2019. The trust maintains unencumbered cash and bank balances of Rs.4.52 crore as on March 31, 2019 (Provisional). The current ratio of the trust stands at 2.03 times as on March 31, 2019 (Provisional).

Outlook: Stable

Acuite 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	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	77.14	69.29	58.96
EBITDA	Rs. Cr.	8.80	3.81	1.95
PAT	Rs. Cr.	10.42	4.64	2.55
EBITDA Margin	(%)	11.40	5.50	3.31
PAT Margin	(%)	13.51	6.70	4.32
ROCE	(%)	20.01	11.14	7.51
Total Debt/Tangible Net Worth	Times	0.20	0.24	0.27
PBDIT/Interest	Times	34.85	19.24	10.71
Total Debt/PBDIT	Times	0.77	1.28	1.75
Gross Current Assets (Days)	Days	65	51	49

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

None.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
28-May-2018	Cash Credit	Long Term	18.00	ACUITE BBB- / Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	2.00	ACUITE BBB- / Stable (Reaffirmed)
23-March-2017	Cash Credit	Long Term	5.00	ACUITE BBB- / Stable (Assigned)
	Proposed Cash Credit	Long Term	15.00	ACUITE BBB- / 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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	13.00	ACUITE BBB/Stable (Upgraded from ACUITE BBB-/Stable)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BBB/Stable (Upgraded from ACUITE BBB-/Stable)

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About Acuité Ratings & Research:

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