

Press Release

GOKILAMBAL EDUCATION AND CHARITABLE TRUST

28 February, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	SMERA B / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned a long term rating of '**SMERA B**' (**read as SMERA B**) and short term rating of '**SMERA A4**' (**read as A four**) to the Rs. 15.00 crore bank facilities of Gokilambal Education and Charitable Trust (GECT). The outlook is '**Stable**'.

GECT, was established in 2016, by Mr. R Anbalagan, (Chairman), Mrs. A. Dhanalakshmi, Director and his sons, Mr. A. Suyam Prakash and Mr. A. Avinash at Ariyalur, Tamilnadu.

The trust runs schools, offering education in both Matriculation Board (Tamil Nadu Board) and CBSE Board, syllabi. It also runs a hostel which can house up to 100 students and it operates buses for transport of students.

The first phase of the school project was completed in May 2017, which can accommodate up to 1,100 students. The trust commenced operations for academic year 2017-18 in June 2017. The second phase is for expansion of school building capacity (total capacity of 1,800 students) and its infrastructure facilities, which is estimated at Rs. 10.50 crore to be met by bank loans of Rs. 8.00 crore and corpus donations collected.

Key Rating Drivers

Strengths

Student strength:

GECT commenced its first academic year 2017-18 in June 2017. The trust has achieved 100 per cent admissions i.e. its sanctioned strength for the academic year 2017-18.

Residential facility and wide range of extra - curricular activities

The school is spread over an area of 7.64 acres. The institute has a building having accommodation for hostel facility for ~100 students. It offers a wide range of extra-curricular activities including karate, yoga, classical dance, instrumental music, thiambam (traditional dance form) and library facilities. SMERA believes the extra facilities offered will attract a wide range of students from the vicinity.

Weaknesses

Nascent stage of operations:

GECT was established in the year 2017 and 2017-18 was its first academic year. It is in its initial stage of operations and yet to demonstrate its performance.

Project risk:

GECT is expanding its capacity from 1,100 students to 1,800 students. The total estimated cost of the project is Rs.10.50 crore which includes building (Rs.8.00 crore) and infrastructure (Rs 2.50 crore). The project funding includes a term loan of Rs.8.00 crore and balance by corpus donations collected and cash accruals generated from its

operations. The project work is yet to commence. The trust expects the additional facility to commence its operations by October 2018; any delay would impact the debt servicing ability of the company.

Stringent regulatory framework for educational sector in India:

Education Industry in India is highly regulated thus exposing the trust to any regulatory changes in future.

Analytical Approach

For arriving at the rating, SMERA has considered the standalone business and financial risk profile of GECT.

Outlook: Stable

SMERA believes that GECT will benefit over the medium term from its student strength and infrastructure facilities. The outlook may be revised to 'Positive' if the society registers significant revenue. Conversely, the outlook may be revised to 'Negative' if the trust fails to achieve the expected revenue or due to major debt funded capex which would impair the financial risk profile.

About the Rated Entity - Key Financials

The trust is yet to complete its first full year of operations and provide audited results.

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>
- Service Sector Entities- <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	Ratings/Outlook
Proposed Cash Credit	NA	NA	NA	2.00	SMERA B / Stable
Proposed Term Loan	NA	NA	NA	8.00	SMERA B / Stable
Term Loan	NA	NA	NA	5.00	SMERA B / Stable

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ABOUT SMERA

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