

Press Release

Vidya Nethrra Educational Trust (VNET)

7 March, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 14.50 Cr.
Long Term Rating	SMERA D

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA D** (read as SMERA D)' on the Rs. 14.50 crore bank facilities of Vidya Nethrra Educational Trust (VNET).

Vidya Nethrra Educational Trust, located at Gomangalampudur, Tamil Nadu is a non-profit organisation that plans to set up a boarding-cum-residential school under the name 'Vidya Nethrra Matriculation Higher Secondary School (English school). It is led by trustees Dr. P.M. Balasubramanian, Mr. A. Dhasrath Patel, Mr. R. Ramalingam, Mr. B.S. Charles Babu and Mr. B.C. Mark Antony.

Key Rating Drivers

Strengths

- **Experienced management**

The management includes Dr. K Balasundaram (Chairman) a leading doctor and agriculturist, Mr. A. Dhasrath Patel (Vice Chairman), Mr. G Nantha Gopal Krishnan (Secretary) Dr. P.M. Balasubramanian (trustee) and others.

- **State of the art infrastructure**

The trust has well equipped laboratories, a playground, hostel facilities for boys and girls, a modernised library among others.

Weaknesses

- **Delays in servicing debt obligation**

There have been instances of delays in term loan repayment and overdrawings in the overdraft account at a stretch of more than 30 days.

- **Weak financial risk profile**

VNET's average financial risk profile is marked by moderate net worth, high gearing and moderate debt protection metrics. The net worth stood moderate at Rs.7.80 crore in FY2017 as it increased from Rs 6.45 crore in FY2016, mainly on account of current year surplus. The gearing stood high at 1.73 times as on 31 March, 2017 as it increased from 1.60 times in FY2016, mainly due to increase in long term unsecured loan. The Interest Coverage Ratio (ICR) stood moderate at 1.73 times for FY2017. The Debt Service Coverage Ratio (DSCR) also stood healthy at 2.15 times in FY2017. The net cash accruals against total debt stood low at 0.10 times in FY2017.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of VNET.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	7.18	7.28	5.89
EBITDA	Rs. Cr.	2.45	1.72	1.42
PAT	Rs. Cr.	1.31	1.00	0.99
EBITDA Margin	(%)	34.16	23.57	24.18
PAT Margin	(%)	18.25	13.69	16.84
ROCE	(%)	12.88	10.69	11.28
Total Debt/Tangible Net Worth	Times	1.73	1.60	1.83
PBDIT/Interest	Times	2.15	2.38	3.29
Total Debt/PBDIT	Times	5.52	5.99	7.00
Gross Current Assets (Days)	Days	93	53	79

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

NA

Any other information

NA

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.smerra.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
Term Loan	NA	NA	NA	9.50	SMERA D
Mortgage OD	NA	NA	NA	5.00	SMERA D

Contacts

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