

Press Release

Vidya Educational Society

August 07, 2018



Rating Assigned

| | |
|-------------------------------------|-----------------------------|
| Total Bank Facilities Rated* | Rs. 7.50 Cr. |
| Long Term Rating | ACUITE B- / Outlook: Stable |

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B-**' (**read as ACUITE B minus**) on the Rs.7.50 crore bank facilities of Vidya Educational Society. The outlook is '**Stable**'.

Vidya Educational Society is a Faridabad (Haryana) based trust that started Vidya Sanskar International School (VSIS) in 2006. VSIS is a Cambridge University affiliated 10+2 school. The school also provides hostel facility. The trust has 12 founding members.

Key Rating Drivers

Strengths

- Experienced management**

Vidya Sanskar International School (VSIS) was established in 2006 by Vidya Educational Society (VES) trust. The school is affiliated to Cambridge University and imparts education up to class XII. The President, Mr. Jai Parkash Gupta, supported by Mr. Shanti Parkash Gupta (Chairman) and Vice-Presidents- Mr. Vijay Parkash Gupta, Mr. Prem Parkash Gupta and Mr. Amit Gupta have experience of more than 15 years in managing the educational trust.

Weaknesses

- Declining scale of operations**

The trust has modest scale of operations with receipts of Rs.7.56 crore in FY2018 (Provisional) as against Rs.8.31 crore in FY2017. The school registered a loss of Rs.4.86 crore in FY2018 (Provisional) as well as in FY2017 of Rs.5.12 crore because of lesser admissions and children dropping out of school due to the board being unpopular in India and high competition. Acuité believes that the ability of the trust to maintain its revenue stream over the medium term will be key rating sensitivity.

- Weak financial risk profile**

The trust has weak financial risk profile as on 31 March, 2018 (Provisional) marked by negative corpus fund of Rs.50.12 crore due to accumulated losses. The net cash accruals also stood negative as on 31 March, 2018. Acuité believes that timely repayment of the debt obligations will be critical for VES marked by negative corpus and negative accruals.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of VES to arrive at the rating.

Outlook: Stable

Acuité believes that VES will maintain a 'Stable' risk profile over the medium term. The trust will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the trust registers substantial growth in scale of operations while registering sustained improvement in surplus. The outlook may be revised to 'Negative' in case of deterioration in scale of operations and capital structure.

About the Rated Entity - Key Financials

| | Unit | FY18 (Provisional) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|--------------------|---------------|---------------|
| Operating Income | Rs. Cr. | 7.56 | 8.31 | 9.75 |
| EBITDA | Rs. Cr. | (1.62) | 0.33 | (0.12) |
| PAT | Rs. Cr. | (4.86) | (5.12) | (3.76) |
| EBITDA Margin | (%) | (21.44) | 3.92 | (1.22) |
| PAT Margin | (%) | (64.34) | (61.54) | (38.59) |
| ROCE | (%) | (20.89) | (8.25) | (13.19) |
| Total Debt/Tangible Net Worth | Times | (1.26) | (1.37) | (1.39) |
| PBDIT/Interest | Times | (0.93) | 0.09 | (0.06) |
| Total Debt/PBDIT | Times | (39.13) | 187.70 | (540.01) |
| Gross Current Assets (Days) | Days | 119 | 248 | 156 |

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

Not Applicable

Any other information

None

Applicable Criteria

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

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 |
|------------------------|------------------|----------------|----------------|-----------------------------|-------------------------------|
| Term loan | Not Applicable | Not Applicable | Not Applicable | 2.50 | ACUITE B- / Stable (Assigned) |
| Overdraft | Not Applicable | Not Applicable | Not Applicable | 5.00 | ACUITE B- / Stable (Assigned) |

Contacts

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About Acuité Ratings & Research:

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