

Press Release

Ajekar Padma Gopal Education Trust

February 02, 2021

Rating Withdrawn



Total Bank Facilities Rated*	Rs.8.00 Cr.
Long Term Rating	ACUITE BB+ (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuite has reviewed and withdrawn the long-term rating of '**ACUITE BB+**' (read as **ACUITE Double B Plus**) on the Rs.8.00 Cr bank facilities of Ajekar Padma Gopal Education Trust (APGET). The rating is in accordance with Acuite's policy on withdrawal of rating and on account of request received from the company and no objection certificate received from the banker.

About the company

Karkala-Udupi based, APGET was established in 2010 by Dr. Sudhakar Shetty. The trust is a non-profit organisation and operates Karkala Jnana Sudha PU College and Karkala Jnana Sudha English Medium High School. The trust provides education from nursery to high school. The curriculum in the international school is affiliated to the Karnataka Secondary Education Examination Board for Sudha English Medium High School and Karkala Jnana Sudha PU College is affiliated to Department of Pre University Education Board.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of APGET to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record of the trust and experience of the trustees in the field of education**

Established in 2010, APGET is an educational, cultural and socio-spiritual non-profit organisation founded by Dr. Sudhakar Shetty. The trust has an eminent governing council comprising members having vast experience in the education sector supports the growth prospects over the medium term.

- **Healthy growth in revenue receipts**

APGET has shown consistent growth in student strength over the last three years; the student strength for AY2021 is 1665 improved from 1659 in AY2020. Further, the growth in revenue has been supported by a steady increase in student intake and periodic fee revisions. Increasing preference for CBSE curriculum in recent times has aided the enrolment growth, which has reflected in increase in its revenue receipts; revenues have improved from Rs.6.87 Cr in FY2017 to Rs.11.80 Cr in FY2019 to Rs.13.53 Cr in FY2020 and expected to generate about Rs.14-15 Cr in FY2021. APGET's operating margin is healthy at 33.04 percent in FY2020, as against 36.03 percent in FY2019. Acuite believes that established presence of the trust in the education sector, improving brand image aids in steady enrolment levels in all schools this coupled with steady fee revision and branch expansion is expected to support growth in revenues over the medium.

- **Comfortable financial risk profile**

APGET has a comfortable financial risk profile, marked by moderate networth, healthy capital structure and healthy debt protection metrics. Net worth is moderate at Rs. 17.78 Cr as on 31 March, 2020 vis-à-vis Rs. 13.74 Cr as on 31 March, 2019; improvement is owing to accretion to reserves. Its gearing (debt-equity) is healthy at 0.57 times as on March 31, 2020 as against 0.84 times as on March 31, 2019. The total outside liabilities to total net worth (TOL/TNW) stood high at 0.62 times as on March 31, 2020 as against 0.99 times as on March 31, 2019. Its debt protection metrics of net cash accruals to total debt (NCA/TD) and interest coverage ratio (ICR) are healthy at 0.41 times and 6.65 times in FY2020 vis-à-vis 0.33 times and 6.04 times in FY2019. Acuite believes that in the absence of significant debt-funded capex plans, the financial risk profile continues to be at similar levels over the medium term.

Weaknesses

• Intense competition and stringent regulatory framework for the educational sector in India

The education sector in India is highly regulated with the government deciding on the maximum student intake, fees, mandatory facilities, faculty strength and even faculty salary to an extent. Any adverse government regulations may impact the trust's revenue growth and accruals. The student-teacher ratio is within the stipulated norms for all the institutions. The institutes face competition from other private institutions offering similar courses. Given the competition, the ability of the institutes to attract requisite students in tune with its actual capacity would be a challenge. This is expected to limit the APGET's ability to increase fee along with the increase of occupancy; which puts pressure on the surplus generation and volatility in its margins, though it's partly mitigated by the brand position it enjoys in and around Udupi considering the established presence with good infrastructure.

Rating Sensitivities

- Sustained increase in inflow of students coupled with increase in fees
- Any higher than expected capex to further expand the operations

Liquidity Position: Adequate

APGET's liquidity is adequate marked by adequate cash accruals to its debt obligations. It reported cash accruals of Rs.2-4 Cr during FY2018-FY2020 against its repayment obligation of Rs.1 Cr. The trust collects fees quarterly from its students and therefore ensuring adequate cash inflow throughout the year. Despite the company's plans to incur capex going forward, an expectation of improved cash accruals is expected to help the company in maintaining a moderate financial risk profile over the medium term. The current ratio of APGET is comfortable at 3.65 times as on March 31, 2020. Acuite believes that the liquidity of the APGET is likely to remain adequate over the medium term on account of moderate cash accrual to its repayments over the medium term.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	13.53	11.80
PAT	Rs. Cr.	2.06	1.83
PAT Margin	(%)	15.25	15.50
Total Debt/Tangible Net Worth	Times	0.57	0.84
PBDIT/Interest	Times	6.65	6.04

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

None

Any Material Covenants

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector Entities - <https://www.acuite.in/view-rating-criteria-50.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
30-Jan-2020	Term Loans	Long Term	6.00	ACUITE BB+ / Stable (Upgraded from ACUITE BB/Stable)
	Proposed Long Term Loan	Long Term	2.00	ACUITE BB+ / Stable (Upgraded from ACUITE BB/Stable)
26-Nov-2018	Term Loans	Long Term	6.00	ACUITE BB/ Stable (Assigned)
	Proposed Long Term Loan	Long Term	2.00	ACUITE BB/ 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
Term loan	Not Available	Not Applicable	29-08-2020	6.00	ACUITE BB+ (Withdrawn)
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB+ (Withdrawn)

Analytical	Rating Desk
Aditya Gupta Vice President - Corporate Ratings Tel: 022-4929 4041 aditya.gupta@acuite.in Bhavani Sankar Oruganti Senior Analyst - Rating Operations Tel: 040-4004 2327 bhavanisankar.oruganti@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-4929 4011 rating.desk@acuite.in

About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The corporation received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.