

Press Release

Birla Vidya Vihar Trust

September 27, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 6.00 Cr.
Long Term Rating	ACUITE A- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) on the Rs. 6.00 crore bank facilities of Birla Vidya Vihar Trust (BVVT). The outlook is '**Stable**'.

BVVT was established in 1959 by Late Mr. Basant Kumar Birla and Mrs. Sarla Birla. The trust operates three schools and one college under its umbrella and offers primary and secondary education along with courses in Tea Management. At present, it has two-member trustees – Mrs. Jayshree Mohta and Mrs Jayshree Mantri.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Established reputation of Birla in the education sector in West Bengal**

BVVT has an established track record of over seven decades in the educational sector in West Bengal. Started in 1959, flagship school Mahadevi Birla World Academy (MBWA) (earlier known as Mahadevi Birla Girls' Higher Secondary School) has over 3000 students in the academic year 2018-2019 and 2019-2020. Bharti Birla, operated by BVVT, commenced its operation in 2001 and has over 1884 student against intake capacity of 1885. The trust also operates Birla Divya Jyoti in Siliguri, West Bengal and has over 900 students enrolled for the academic year 2019-2020. Over the years, the schools promoted by the trust have been awarded at several reputed platforms with MBWA considered one of the top ten schools in Kolkata. Currently, the trust is promoted by Mrs. Jayshree Mohta, and Mrs. Jayshree Mehta.

- **Robust financial risk profile**

BVVT's financial risk profile is robust marked by healthy net worth, low gearing and strong debt protection metrics. The net worth improved to Rs 73.93 crore as on March 31, 2019 (Provisional) as against Rs. 61.95 crore in the previous year, backed by healthy accretion of profits. The gearing remained comfortable at 0.13 times in FY2019 (Provisional) as against 0.01 per cent in the previous year. The total debt cost of working capital loans amount to Rs 9.27 crore in FY2019(Provisional). Acuite expects the gearing to remain at low levels in the medium term in absence of any debt-funded capex. The debt protection metrics remained comfortable with high interest coverage ratio of 32.98 times in absence of significant debt and healthy net cash accruals.

- **Healthy scale of operations and profitability**

BVVT's long-standing track record in West Bengal has resulted in steady growth in revenue profile. The operating revenue stood at Rs 45.14 crore as against Rs. 42.31 crore in the previous year. The profitability remains healthy at 29.16 times in FY2019 (Provisional) as against 30.77 per cent in the previous year. Going forward, the revenue is expected to grow at moderate pace backed by steady increase in student strength and increase in fee structure.

Weaknesses

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

Schools under BVVT are affiliated to Central Board of Secondary Education and have to adhere to regulation pertaining to student-faculty ratio and intake capacity. Further, the company also faces competition from other schools in vicinity and government school.

Rating Sensitivity

- Sustained increase in inflow of students coupled with increase in fees.
- Ability to maintain strong liquidity especially in form of liquid investments.

Material Covenant

None

Liquidity Profile

BVVT has strong liquidity marked by healthy net cash accruals against no maturing debt obligations. The group generated cash accruals of Rs.1.85 crore to 15.16 crore during the last three years through 2017-19 (Provisional), against no maturing debt obligations over the same period. The cash accruals of the group are estimated to remain comfortable during 2019-21. The reliance on the cash credit limit in the group remains utilised at ~83 per cent during the last 6 months period ended August, 2019. The unencumbered cash and bank balance stood at Rs. 0.33 crore and investment in mutual funds and liquid instruments stood at Rs 27.15 crore as on 31 March, 2019. Acuite believes that the liquidity of the group is likely to remain strong over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuite believes BVVT will continue to benefit from its established track record in the education sector. The outlook may be revised to 'Positive' if there is sustainable increase in revenue profile accompanied by margin improvement. The outlook may be revised to 'Negative' in case of deterioration in financial risk profile due to debt led capex.

About the Rated Entity - Key Financials

	Unit	FY19 (Prov.)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	45.14	42.31	39.49
EBITDA	Rs. Cr.	13.16	13.02	(0.26)
PAT	Rs. Cr.	12.04	10.72	(1.76)
EBITDA Margin	(%)	29.16	30.77	(0.66)
PAT Margin	(%)	26.68	25.33	(4.46)
ROCE	(%)	17.18	18.85	(3.50)
Total Debt/Tangible Net Worth	Times	0.13	0.01	0.08
PBDIT/Interest	Times	32.98	40.47	3.32
Total Debt/PBDIT	Times	0.60	0.03	1.47
Gross Current Assets (Days)	Days	80	69	28

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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A- / Stable

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About Acuite Ratings & Research:

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