

Press Release

Vedant Education Trust

August 07, 2020



Rating Assigned

Total Bank Facilities Rated*	Rs.18.80 Cr.
Long Term Rating	ACUITE B /Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE B**' (**read as ACUITE B**) on the Rs. 18.80 Crore bank facilities of Vedant Education Trust (VET). The outlook is '**Stable**'.

Vedant Education Trust is a charitable trust set up in 2011 for promoting education. The trust has been set up by Mr. Bijinder Singh and Mr. Ashok Khurana and their sons, Mr. Yoginder Singh and Mr. Akshay Khurana, respectively. The trust is setting up a K-12 CBSE school in Greater Noida (Uttar Pradesh) under the name of The Shri Ram Universal School (TSUS), under a franchisee tie-up with SEL, which have promoted Sri Ram College of Commerce (SRCC) and Lady Shri Ram College (LSR) and have a long track record of operation in the education sector. The school is expected to start its operations in April 2021.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Established position of Shri Ram Educare brand and healthy demand prospects of the industry:**

Vedant Education Trust proposes to run its schools under the name of SEL. This will help VET leverage on the strong brand image and market position of SEL. SEL is involved in various research programs in education techniques and personality development of students. It also provides technical and teaching support to its franchisee members by periodically organizing training for their teaching staff. Further, there is a growing preference for private schools, with increase in affordability; households are willing to pay a higher price for quality education. Inefficient government school system and growing awareness about the importance of quality education are the drivers of demand in the industry.

Acuité believes that VET will enjoy the operational support from SEL in the longer term.

Weaknesses

- **Project related risks:**

The total project cost is Rs. 31.47 crore which is expected to be funded by Rs. 18.80 crore term loan and the remaining Rs. 12.67 crore via equity from the trustees. The expected date of completion of the project is 31-03-2021. The school is expected to start operations in April 2021. Earlier the completion date was April-2020. It was delayed due to the ban of construction in NCR region during last year and the current COVID-19 situation. If the project gets further delayed, the interest cost and preoperative expenses might cause cost overrun.

The funding risk remains low as the trustees have brought in about 60% of their funds while term loan has been sanctioned. The demand risk will remain high on account of competition from other brands, and will also depend on the fee structure and location of the school, despite the strong brand recognition. Strong operational support from Shri Educare Ltd (SEL) will help in reducing implementation risks.

- **Expected weak financial risk profile:**

The trust is expected to have a weak financial profile due to low net worth, high gearing and high TOL/TNW. The net worth of the trust stood at Rs.9.02 crore as on 31st march, 2020 (Provisional). The disbursement of new term loan cause rise in gearing ratio to 1.95 times as on 31st march, 2020 (Provisional) from 0.43 times in FY2019 and rise in TOL/TNW to 2.10 times in FY2020 (Provisional) as against 0.46 times in FY2019. Due to the startup nature of operations, the capital structure and debt protection metrics are expected to remain weak over the medium to long term.

Outlook: Stable

Acuité believes that VET outlook will remain 'Stable' backed by Strong operational support from Shri Educare Ltd (SEL). The outlook may be revised to 'Positive' in case of a significant increase in intake of students leading to improvement in liquidity, capital structure and debt protection metrics. The outlook may be revised to 'Negative' in the event of further delay in implementation of the project leading to cost overrun.

Material Covenant

None

Rating sensitivity

- Any further delay in project implementation

Liquidity position: Stretched

The trust is yet to start the operation. As per 31st march 2020 (Provisional), the trust is only availing term loan facility from the bank and the disbursement of the same have not yet completed hence there will be no debt maturity obligation before April-2023. The cash accruals of the trust are estimated to be in negative for the year FY2021 and FY2022 and Rs.0.33 crore in FY2023 while the debt maturity obligation is estimated to be Rs.0.96 crore in the FY2023.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	0.03	0.01
PAT	Rs. Cr.	0.00	(0.01)
PAT Margin	(%)	6.01	(57.22)
Total Debt/Tangible Net Worth	Times	1.95	0.43
PBDIT/Interest	Times	-	-

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

VET's rating was flagged off as Issuer not cooperating with CRISIL, through its rating rationale dated May 24, 2019. The reason provided by CRISIL is non-furnishing of information by VET.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities in Service Sector - <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 (Up to 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	18.80	ACUITE B/Stable (Assigned)

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About Acuité Ratings & Research:

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