

June 26, 2015

CARE ASSIGNS 'CARE B+' RATING TO THE BANK FACILITIES OF SPS EDUCATIONAL TRUST

Ratings

Facilities	Amount (Rs. Cr)	Ratings ¹	Remarks
Long term Bank Facilities	15	CARE B+ (Single B Plus)	Assigned

Rating Rationale

The rating assigned to the bank facilities of SPS Educational Trust (SPS) is constrained primarily on account of its short operational track record and modest enrollment ratio coupled with modest liquidity position and risk associated with the on-going debt-funded capex undertaken by the trust. The rating is further constrained on account of competition from the existing schools in vicinity and presence in the highly regulated industry.

The rating, however, derives strength from the wide experience of the promoters in the education industry. The rating further factors in the financial risk profile marked by consistent increase in total operating income (TOI) and profitability during the past 3 years ended FY15 (refers to the period April 1 to March 31) along with moderately leveraged capital structure and moderate debt coverage indicators.

The ability of SSP to increase its enrollment ratio and income while maintaining profit margins along with successful completion of the ongoing debt funded project and improvement in capital structure is the key rating sensitivity.

Background

Palwal (Haryana) based, SPS Educational Trust (SPS) was established in the year 2010 by Mr Sureshchandra Bharadwaj, Mrs Sunita Bhardwaj, Mr Shyam Sunder, Mr Brijesh Kumar and Ram Kumar Gupta with the object of setting up educational institutions. SPS is running a school in the name of SPS International at Palwal (Haryana) since August, 2011.

The school is affiliated to the Central Board of Secondary Education (CBSE) and offers education from Kindergarten to class XII. The school is spread across the area of 5.25 acres and it has all the state of the art facilities like computer labs, library, smart classes, various sports facilities and swimming pool etc.

As per the provisional results for FY15, SPS reported a surplus of Rs.2.49 crore on a total operating income (TOI) of Rs.12.60 crore as against deficit of Rs.1.13 crore on a TOI of Rs.8.23 crore during FY14.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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