

SPS Educational Trust

March 23, 2017

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	25.25	CARE B+; ISSUER NOT COOPERATING (Single B Plus; ISSUER NOT COOPERATING)	Issuer not cooperating
Total	25.25 (Rupees Twenty Five crore and Twenty Five lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from SPS Educational Trust to monitor the rating(s) vide e-mail communications/ letters dated November 28, 2016, December 7, 2016, December 17, 2016, January 7, 2017, February 1, 2017 and February 17, 2017 and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. **In the absence of minimum information required for the purpose of rating, CARE is unable to express opinion on the rating.** Further, SPS Educational Trust has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. In line with the extant SEBI guidelines CARE's rating on SPS Educational Trust's bank facilities will now be denoted as **CARE B+; ISSUER NOT COOPERATING**.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating..

Detailed description of the key rating drivers

At the time of last rating on July 8, 2015 the following were the rating strengths and weaknesses:

Key Rating Weaknesses

Short track record of operations and modest enrollment ratio

SPS was incorporated in the year 2010. However, it commenced the operations of the school from FY12 (refers to the period April 1 to March 31) only. Hence, SPS's scale of operations is modest as reflected in its Total Operating Income of Rs.12.60 crore and in FY15 and networth of Rs.11.97 crore as on March 31, 2015.

Weak liquidity position

Liquidity position of the SPS remained weak marked by current ratio and quick ratio of 0.21 times and 0.02 times as on March 31, 2015 and March 31, 2014.

Debt funded capex

SPS has undertaken the debt funded capex of development and renovation of roads, building, and biological park and sports facilities worth Rs.4.54 crore during FY15. The said expenditure is expected to be funded through the mix of promoters' fund and internal accruals.

Competition from the existing schools in the vicinity and presence in the highly regulated industry

There has been consistent increase in the level of competition in the education sector. SSP faces competition from 15 private sector schools and 3 government schools in Palwal district. Furthermore, there are 924 CBSE affiliated school in entire Haryana state. Hence, SSP continues to face tough competition from already established schools in the vicinity which in turn may hamper its enrollment ratio.

Key Rating Strengths

Wide experience of the promoters in the education industry

SPS was established by Mr Sureshchandra Bhardwaj, along with four other trustees in the year 2010. Mr Sureshchandra Bhardwaj has an experience of more than two decades in the education industry.

Consistent increase in total operating income and increase in profitability

1 Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

Total Operating Income (TOI) of SPS has grown at a healthy Compounded Annual Growth Rate (CAGR) of 94.59% during FY12-FY15. During FY15, the total operating income of SPS improved by 53% to RS.12.60 crore as against RS.8.23 crore in FY14. During FY15, the SBID margin of the trust also improved to 66.45% against 50.28% during FY14. Furthermore, during FY15 with the improvement in SBID margin, the trust reported surplus of Rs.2.49 crore as against deficit of Rs.1.13 crore in FY14.

Moderately leveraged capital structure and debt coverage indicators

The capital structure of SPS remained moderately leveraged as on March 31, 2015 as reflected by its debt to equity ratio and overall gearing of 1.78 times as against 2.75 times as on March 31, 2014.

The debt coverage indicators of SPS remained moderate marked by the total debt to Gross Cash Accruals (GCA) of 4.90 times as on March 31, 2015 which has improved from 55.69 times as on March 31, 2014 mainly on account of significant increase in gross cash accruals from RS.0.47 crore during FY14 to Rs.4.77 crore during FY15.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

About the firm

Palwal-based (Haryana), SPS Educational Trust (SPS) was established in the year 2010 by Mr Sureshchandra Bharadwaj, Mrs. Sunita Bharadwaj, Mr Shyam Sunder, Mr Brijesh Kumar and Mr 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.

Status of non-cooperation with previous CRA: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	June 2021	25.25	CARE B+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund-based - LT-Term Loan	LT	25.25	CARE B+; ISSUER NOT COOPERATING	-	1)CARE B+ (26-Jun-15)	-	-

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