

Swordlily Cultural and Sports Private Limited

March 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	258.48 (Enhanced from 250.00)	CARE BBB-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of the rating assigned to the enhanced bank facilities of Swordlily Cultural and Sports Private Limited (SCSPL) is driven by strong and resourceful promoters belonging to the Aurobindo Pharma group and improvement in operational and financial performance in FY24 (Audited, FY refers to April 01 to March 31) considering increase in effective lease rental, leasing out additional block, and increase in revenue from sports facilities. Promoters have also provided a shortfall undertaking to banks, to infuse funds for cash flow shortfall.

However, rating strengths are partially offset by leveraged capital structure with repayment of unsecured loans funded through term loans, negative net worth base despite narrowed with positive profit after taxes (PAT) of ₹9.70 crore for FY24, and regulatory risk associated with the educational sector in India.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Strengthening of the tangible net worth (TNW) base.
- Improvement in cash flows and turning self-reliant, with no further need of financial support from promoters.

Negative factors

- Non-availability of requisite and timely support from the promoters, resulting in cash flow mismatches.
- Significant increase in the net loss by over 20% from the existing level.
- Revocation or dilution of debt service reserve account (DSRA) or personal guarantee extended by the promoters towards the debt availed by SCSPL.

Analytical approach: Standalone, factoring in linkages with the Aurobindo Pharma promoter group.

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the entity will continue to benefit from strong promoters and increasing student enrolments for school and sports facilities.

Detailed description of key rating drivers:

Key strengths

Robust lineage of Aurobindo Pharma Group

SCSPL benefits from strong promoter linkages with Aurobindo Pharma Limited. K. Nityananda Reddy, Vice chairman and Managing Director of Aurobindo Pharma Limited, serves as the Chairman of The Gaudium School. His daughter, Kirthi Reddy, is the Managing Director of SCSPL and the Founder and Vice President of The Gaudium School. K. Rajeswari, K. Nityananda Reddy's wife, and Prasad Reddy are directors of SCSPL. Promoters and K. Nityananda Reddy have provided personal guarantee for bank facilities of SCSPL. Promoters have also provided a shortfall undertaking to banks, to infuse funds for cash flow shortfall.

Improved financial performance in FY24 despite small scale

The company continues to operate at a small scale. However, revenue from operations has more than doubled, rising from ₹17.28 crore in FY23 to ₹38.74 crore in FY24. This growth is attributed to an increase in effective lease rental rate, revenue from additional block leased out starting in FY24 and an increase in sports facility revenue from ₹3.42 crore in FY23 to ₹10.93 crore in FY24. The company has turned profitable in FY24 with a PAT of ₹9.70 crore.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Unique business model, strong, and eminent sports faculties

SCSPL has developed a school on a 27-acre campus in Kollur, Hyderabad, which has been leased to Triarshaa Educational Society to operate as "The Gaudium School." The school offers diverse curricula, including International Baccalaureate (IB), Cambridge International (CAIE), and Central Board of Secondary Education (CBSE), across grade levels. SCSPL has developed and leased a Kindergarten campus in Nanakramguda. The company has also developed "Gaudium Sportopia," India's first fully integrated residential sports institution. Spread over an outdoor area of 2 lakh sq. ft. and an indoor area of 1 lakh sq. ft., Sportopia is designed to host over 25 sports academies, ranging from popular to non-conventional sports, under the mentorship of professional coaches. Sportopia is a part of the larger Gaudium campus, which includes the school, and an arts institute, Artopia.

Stable industry outlook

India has the world's largest population in the 5-24-years age group with 580 million people, presenting a huge opportunity in the education sector. The education sector in India was estimated to be worth US\$ 117 billion in FY20 and is expected to reach US\$ 225 billion by FY25. India's K-12 segment growth was valued at US\$ 48.9 billion in 2023. Currently, it is estimated to grow at a rate of 10.7%, projected to reach at US\$ 125.8 billion by 2032.

Key weaknesses

Leveraged capital structure

Net worth base continues to remain negative at ₹3.36 crore as on March 31, 2024; however, there is an improvement owing to a positive PAT of ₹9.70 crore in FY24. Increase in term loan outstanding to ₹194.87 crore as on March 31, 2024 (PYE: ₹148.24 crore) is considering ₹40 crore term loan availed in FY24 to repay an unsecured promoter loan, backed by a corporate guarantee from Vigneshwara Thermal Power Private Limited (VTPPL), a promoter-related entity. The loan repayment is expected to be serviced primarily through VTPPL's cash flows. In November 2024, the company availed a term loan of ₹60 crore to repay unsecured loans. However, promoters have provided a shortfall undertaking to banks and would be infusing funds in case of cash flow shortfall.

Highly regulated industry amid competition

The education sector is highly fragmented with the presence of large number of small and big institutions due to high growth opportunities and government's thrust on education for all. Therefore, industry players are exposed to competition induced pressures on student enrolments and overall student strength. Despite favourable growth outlook of the education sector in India, regulatory challenges continue to pose a significant threat to educational institutes. Regulatory bodies are responsible for regulation, coordination, and development of higher education in India. The scope of government regulations is wide, starting from approval for establishment of courses/institute, intake capacity, fee structure and periodic review for standards followed by the institute. All these factors have a significant impact on revenues and profitability of educational institutes.

Liquidity: Adequate

The company's cash flows generated are adequate to meet operational requirements marked by gross cash accruals (GCA) of ₹19.81 crore for FY24. The company has repayment obligations of ₹21.75 crore for FY25. Promoters have provided a shortfall undertaking to banks, committing to bring in funds in case of cash flow shortfall. The company maintains a DSRA equivalent to three monthly instalments. The company is not utilising its sanctioned OD limit of ₹5 crore.

Assumptions/Covenants - Not applicable

Environment, social, and governance (ESG) risks - Not applicable

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Education](#)

[Financial Ratios – Non financial Sector](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Consumer services	Other consumer services	Education

Incorporated on May 19, 2014, SCSPL is promoted by K Kirthi Reddy, daughter of K Nityananda Reddy, Vice chairman and Managing Director of Aurobindo Pharma Limited, and Prasada Reddy Kambham and K. Rajeswari. SCSPL has developed a school on a 27-acre campus in Kollur, Hyderabad, which has been leased to Triarshaa Educational Society to operate as "The Gaudium School." SCSPL has developed and leased a Kindergarten campus in Nanakramguda. The company has also developed "Gaudium Sportopia," India's first fully integrated residential sports institution. Spread over an outdoor area of 2 lakh sq. ft. and an indoor area of 1 lakh sq. ft., Sportopia is designed to host over 25 sports academies, ranging from popular to non-conventional sports, under the mentorship of professional coaches.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9M-FY25 (UA)
Total operating income	17.28	38.74	31.32
PBILDT	12.41	34.70	25.60
PAT	-0.70	9.70	NA
Overall gearing (times)	-22.32	-89.66	NA
Interest coverage (times)	1.38	2.21	1.76

A: Audited, UA: Unaudited, NA: Not available. Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Bank Overdraft		-	-	-	5.00	CARE BBB-; Stable
Fund-based - LT-Term Loan		-	-	March 2034	253.48	CARE BBB-; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	253.48	CARE BBB-; Stable	1)CARE BBB-; Stable (04-Feb-25)	1)CARE BBB-; Stable (06-Nov-23)	1)CARE BBB-; Stable (30-Aug-22)	1)CARE BBB-; Stable (17-Jun-21)
2	Fund-based - LT-Bank Overdraft	LT	5.00	CARE BBB-; Stable	1)CARE BBB-; Stable (04-Feb-25)	1)CARE BBB-; Stable (06-Nov-23)	1)CARE BBB-; Stable (30-Aug-22)	-

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities - Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Bank Overdraft	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender detailsTo view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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