

Womens National Education Society

January 22, 2021

Ratings

Facilities / Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	5.05	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE B+; Stable (Single B Plus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Total Facilities	5.05 (Rs. Five Crore and Five Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from of Womens National Education Society (WNES) to monitor the rating(s) vide e-mail communications dated September 10, 2020 to January 12, 2021 and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of best available information which however, in CARE's opinion is not sufficient to arrive at fair rating. The rating on Womens National Education Society bank facilities will now be denoted as **CARE B; Stable; 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.

The rating takes into account uneven cash-flow associated with educational institutes, presence in a highly competitive industry. The rating continues to derive strength from established track record and long experience of the society members, satisfactory infrastructure facilities and resources, growth in total operating income, improvement in operational margin and cash accruals, improvement in capital structure and debt coverage indicators.

Detailed description of the key rating drivers

At the time of last press release dated December 19, 2019, the following were the rating strengths and weaknesses:

Key Rating Weaknesses

Uneven cash-flow associated with educational Institutes

The revenue stream of the society is skewed towards the beginning of the academic year (normally between June-August) when the bulk of the tuition fees, hostel fees and other related income is collected whereas the society incurs regular stream of payments for meeting staff salary, maintenance activities, interest expenses amongst others.

Presence in a highly competitive industry

The education sector offers immense potential as there is a growing demand for the services offered driven by increasing propensity of the middle class to spend on education and India's increasing population. Due to new colleges being added every year along with established college's results in high competition level in the state and adjoining areas of WNES. Also, the fees for various courses are presently fixed by regulatory authority, which limits on the revenue growth.

Key Rating Strengths

Established track record and long experience of society members

The society has track record of around eight decades. The society is managed by well qualified personnel i.e., Mr. Kudpi Jagadish Shenoy (President), Mr. M. Manel Annappa Nayak (Vice President) and Mr. K. Devanand Pai (Secretary) all are qualified graduates and having more than two decades of experience in the field of academics. The day to day activities of WNES are managed by Mr. Satish Kumar Shetty and Mr. Lakshmi Narayana Bhat who are principals of the schools under the guidance of council members of the society. The policy decisions such as starting new college under the society, new courses, and investment in infrastructure are decided by the society members.

Satisfactory infrastructure facilities and resources

The campus, which is spread over 6 acres of land, is divided into four floors. It has libraries including digital library with vast and comprehensive collections on various topics and subjects. It is equipped with e-computerized and bar coded systems with an online access catalogue for searching books and also study materials for advanced courses. It has 7 Auditoriums

which has a capacity over 2200 audiences. The campus has separate hostel for boys and girls with health care centre. The society has 18 laboratories and 3 play grounds.

Growth in total operating income

The Gross Receipts of the society improved and stood at Rs.7.86 crore in FY19 (A) as compared to Rs.6.48 crore in FY18 representing a growth of 21.57% on account of increase in number of student's admissions into school and college along with increase in annual course fees collected from the students. However in FY17, the TOI stood at Rs.5.65 crore.

Improvement in operational margin and cash accruals

The SBID margin of the society has improved during FY19 (A) standing at 21.57% as compared to 9.16% in FY17 due to increase in the gross receipts. The society has deficit of Rs.0.62 crore as on March 31, 2019, however it has improved compared to net loss of Rs.2.57 crore on March 31, 2017 due to increase in SBID in absolute terms and decrease in depreciation and interest cost. The cash accruals of the society improved and stood at Rs.1.08 crore in FY19 (A) as compared to cash losses of Rs.0.37 crore in FY17.

Improvement in capital structure and debt coverage indicators

The capital structure of the society marked by overall gearing improved and stood at 0.65x as on March 31, 2019 as compared to 0.89x as on March 31, 2017 due to decrease in total debt levels marked by lower utilisation of working capital and repayment of term loan instalments. Further, the overall gearing stood at 0.89x as on March 31, 2017. The net worth of the society is seen eroding due to net losses and stood at Rs.8.28 crore as on March 31, 2019.

The working capital cycle of the society remained comfortable during the review period. The society receives annual tuition fee on time from its students. Further, the society makes the payment to its suppliers (like stationery and computer) on cash basis.

The debt coverage indicators marked by Total debt/ GCA and SBID interest coverage improved and stood at 4.99x and 2.57x as on March 31, 2019 as compared to 18.02x and 1.44x as on March 31, 2018 on back of repayment of loans coupled with increase in cash accruals.

Analytical Approach: Standalone

Applicable Criteria

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

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

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

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

[Rating methodology-Education sector](#)

About the Society

Womens National Education Society (WNES) is registered under society's registration act 1860. WNES was founded in 1918 by Ms. Besant then joined by society members, Mr. Kudpi Jagadish Shenoy (President), Mr. Manel Annappa Nayak (Vice-President) Mr. K. Devanand Pai (Secretary) and other members in 1943 for running the society. WNES presently manages seven Schools & Colleges under the society namely MSNM Besant Institute of PG Studies (MBA), Besant Higher Primary School (1st to 7th), Besant National High School (8th to 10th), Besant English School (1st to 10th), Besant National PU College (Science, Commerce and Arts), Besant Women's College (Degree & PG) and Besant Evening College (Degree & PG) in the Mangalore, Karnataka state, India.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Gross Receipts	6.48	7.86
SBID	1.26	1.70
Surplus/Deficit	-1.33	-0.62
Overall gearing (times)	0.87	0.65
Interest coverage (times)	1.44	2.57

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

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	-	-	March, 2026	5.05	CARE B; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	5.05	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable (19-Dec-19)	1)CARE B; Stable (21-Sep-18)	1)CARE B; Stable (01-Nov-17)

*Issuer did not cooperate; based on best available information

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable**Annexure 4: Complexity level of various instruments rated for this firm**

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

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:

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