

Bowry Memorial Educational and Medical Trust

March 18, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating1	Rating Action
Long term bank facilities	9.00	CARE BB; Stable (Double B; Outlook: Stable)	Assigned
Short term bank facilities	5.00	CARE A4 (A Four)	Assigned
Total Facilities	14.00 (Rupees Fourteen crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Bowry Memorial Educational and Medical Trust (BME) are constrained by small scale of operations of the trust, limited reach and increasing competition from established and upcoming educational institutes and high Regulation in educational sector in India. The ratings, however, derives strength from the experienced and qualified trustees coupled with competent teaching staff, long and established track record of trust with well-established infrastructure, moderate profitability margins, comfortable capital structure & debt coverage indicators, significant increase in enrolment of students, steady prospects of higher/professional education of sectors and favorable demographic & socio-economic factors

Key Rating Sensitivity

Positive Factor:

Increase in scale of operations with total operating income of more than Rs.50.00 crore on a sustainable basis
Improvement in profitability margins as marked by PBILDT and PAT margins above 30.00% and 18.00% respectively

Negative Factor:

Decline in scale of operations by more than 20% along with decline in PBILDT and PAT margins below 15.00% and 7.00%, respectively, on sustained basis.
Deterioration in debt coverage indicators as marked by interest coverage and TDGCA ratios below 2.00x and above 8.00x, respectively

Detailed description of the key rating drivers

Key Rating Weaknesses

Small scale of operations

The scale of operations of the trust continued to be small as marked by total operating income of Rs.32.52 crore in FY19 (refers to the period April 01 to March 31). However, the trust's GCA stood moderate at Rs.6.43 crore for FY19. The small scale limits the trust's financial flexibility in times of stress and deprives it from scale benefits. The trust has achieved total operating income of Rs.32.59 crore in 10MFY18 (Provisional).

The risk is partially mitigated by the fact that the scale of operations of the trust is growing for past three financial years, i.e., FY17-FY19. BME's total operating income increased from Rs.14.94 crore in FY17 to Rs.32.52 crore at a compounded annual growth rate (CAGR) of 47.54% owing to increase in medical receipts as well as education income (increase in number of students (from 6,702 students for academic batch 2018-2019 to 7,605 students for academic batch 2019-2020) .

Limited reach and increasing competition from established and upcoming educational institutes

The schools and institutes of BME are located at Jalandhar only i.e., single location of Punjab which limits the penetration level for the trust to tap opportunities. Furthermore, due to increasing focus on technical education in India, a number of colleges have been opened up in close proximity. This exposes the revenue of BME to face competition from other schools and colleges like Cambridge international School, Lawrence international School, Apeejay School, CT group of Institutions, DAV college, Apeejay Institute of Management, etc. The ability of BME to enroll the projected number of students at a competitive fee structure depends on its capability to distinguish itself and leverage on its established brand name in the market.

High Regulation in educational sector in India

Despite the increasing trend of privatization of the education sector in India, regulatory challenges continue to pose a significant threat to the educational institutes. The regulatory authority for the schools, CBSE, functions under the

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

supervision of the Controlling Authority, which is vested with the Secretary (Education), Government of India, and Ministry of Human Resource Development. Also, the educational institutes are regulated by respective state governments with respect to the number of management seats, amount of the tuition fees charged for the government quota and management quota. The factors have a significant impact on the revenue and surplus margins of the institutions. However, the state and central government have provided thrust to demand for colleges by introducing policy changes like abolition of entrance exams for admission in professional course. However, the education industry remains highly regulated industry with constant intervention from the central and state government and other regulatory bodies.

Key Rating Strengths

Experienced and qualified trustees coupled with competent teaching staff

The trust is managed by Dr. Romesh Sood, Dr. Gurmeet Singh Mangat, Dr. Anup Bowry and Dr. Chander Bowry as its President, Vice President, Secretary and Treasurer respectively. They all possess rich experience ranging from 22 years-55 years in the field of education and medicine which they have gained through their association with BME and other regional entities.

They are well supported by other members of the trust namely Ms Shally Bowry, Ms Aradhana Bowry, Mr. Sandeep Jain, Mr. Sakal Dev and Mrs Harleen Gullria. They all possess rich experience in the educational industry through their association with BME. Furthermore, BME has employed experienced and qualified teaching staff to support the academic requirements of the school and college. Apart from key faculty members, BME has employed competent and well qualified administrative staff to support day to day operations of the trust.

Long and established track record of trust with well-established infrastructure

The trust established its school in 1992 and the facilities provided by the trust at its school as well as college include laboratories, computer centers including smart classes, conference halls, video conferencing, multi-media projectors, well stocked libraries, auditoriums, seminar room etc. Trust is also providing hostel facility to its students at its college. BME also has a well- established placement cell. Students enrolled in different courses are assisted through a well-established placement team through which they are placed in large and reputed corporate groups. Some of top recruiters in the past are McDonalds, Trident, Asian Paints, Coca Cola, The Times of India, Reliance group, IndusInd bank, Lemon tree, etc. This helps the trust in offering all round development to the students.

Moderate profitability margins

The profitability margins of the trust remained at a moderate level marked by SBID margin of 22.29% in FY19 and surplus margin of 14.98% in FY19. The SBID declined from 28.54% in FY18 due to increase in the administrative costs incurred by the trust. Consequently and also due to increase in depreciation costs, surplus margin declined from 17.39% in FY18. Further, the gross cash accruals of the trust increased from Rs.5.41 crore in FY18 to Rs.6.43 crore in FY19.

Comfortable capital structure and debt coverage indicators

The capital structure of the trust stood comfortable marked by overall gearing ratio of 0.37x as on March 31, 2019, it improved from 0.44x as on March 31, 2018 mainly due to accretion of surplus into corpus fund of the trust coupled with repayment of term loans & unsecured loans.

The debt coverage indicators of the trust also stood comfortable marked by interest coverage ratio of 8.84x in FY19 and total debt to GCA of 1.90x, as on March 31, 2019. The total debt to GCA improved from 2.33x for FY18 owing to increase in gross cash accruals of the trust coupled with decline in its debt levels. Further, the interest coverage ratio improved from 5.93x in FY18 due to increase in PBILDT and decline in interest costs of the trust.

Steady prospects of higher/professional education of sectors

BME is engaged in providing primary, secondary as well as higher education which comprises of K-12 classes and graduation courses. Demand for these courses is growing at a phenomenal pace in India. The increase in government spending on education over the years has provided an impetus to the growth of higher education in India. Higher governmental expenditure is propelling the growth of Universities and with the growing number of universities, the number of colleges affiliated to these universities also witnessed a rise which has facilitated more and more opportunities to students spread across the nation. The enrolment across all courses in higher education has grown over the years. In an effort to expand the reach to tier-III cities and rural areas of the country and thereby spur enrolments, the Central government's revenue expenditure allocation towards higher education has grown in the past few years.

Significant increase in enrolment of students

The overall enrolment improves, the total strength of students has increased significantly from 6,186 students in Academic year (A.Y.) 2016-17 to 7,605 students in A.Y. 2019-20. The increase in students ensures the future revenue visibility. The fee is collected from school students during the period of April, July, October and in the month of January. The fee is collected from college students during the period of July, and in the month of January.

Favorable demographic & socio- economic factors

In terms of demographic profile, India remains one of the youngest nations in the world with 37.9% of its population in the 5-24 years age bracket i.e. the age group comprising the student population. In addition, other socio- economic factors such as growing personal disposable income of the Indian households, growing contribution of the services sector to India's GDP thereby requiring greater number of qualified youths has further provided an impetus to the growth of educational institutes in the country.

Moderate Liquidity position

The trust's liquidity position remained moderate as reflected by current ratio of 1.96x, and quick ratio of 1.95x, as on March 31, 2019. Furthermore, the trust had free cash & bank balance of Rs.2.48 crore as on March 31, 2019. The operating cycle of the trust remained moderate at 3 days as on March 31, 2019. The average utilization of overdraft limit stood at 70% for the last 12 months period ended January, 2020 for the trust.

Analytical Approach—Standalone

Applicable criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

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

[Rating Methodology- Education Sector](#)

[CARE's policy on default recognition](#)

[Criteria for Short Term Instruments](#)

About the Trust

Bowry Memorial Educational and Medical Trust (BME) was formed in November 1992 and is currently being managed by Dr. Romesh Sood (President), Dr. Gurmeet Singh Mangat (Vice President), Dr. Anup Bowry (Secretary), Dr. Chander Bowry (Treasurer), Ms Shally Bowry (Trustee), Ms Aradhana Bowry (Trustee), Mr. Sandeep Jain (Trustee), Mr. Sakal Dev (Trustee), and Mrs Harleen Gullria (Trustee). The trust was formed with an objective to provide primary, secondary and higher education services. The trust consist of 5 schools, 2 Colleges, 1 Hospital and 1 Dispensary. The schools are affiliated to Central Board of Secondary Education (CBSE). One college is duly approved by Guru Nanak Dev University (GNDU), Amritsar. And another college is duly approved by I.K. Gujral Punjab Technical University, Jalandhar (IKGPTU).

Covenants of rated instrument / facility: Not Applicable

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	22.79	32.52
PBILDT	6.50	7.25
PAT	3.96	4.87
Overall gearing (times)	0.44	0.37
Interest coverage (times)	5.93	8.84

A: Audited

Status of non-cooperation with previous CRA: BWR has conducted the review on the basis of best available information and classified Bowry Memorial Educational and Medical trust as "Not Co-operating" vide its press release dated January 30, 2020

Any other information: Not Applicable

Rating History for 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, 2024	9.00	CARE BB; Stable
Fund-based - ST-Bank Overdraft	-	-	-	5.00	CARE A4

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	9.00	CARE BB; Stable	-	-	-	-
2.	Fund-based - ST-Bank Overdraft	ST	5.00	CARE A4	-	-	-	-

Annexure-3: Detailed explanation of covenants of the rated facilities: Not Applicable

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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