

Career Point Limited

March 23, 2017

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	5.11	CARE A; Stable (Single A; Outlook: Stable)	Assigned
Total facilities	5.11 (Rupees Five crore and Eleven lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Career Point Limited (CPL) derives strength from the established track record and recognized brand name of 'Career Point' in tutorial business, experienced promoter group and sound management team, wide spectrum of courses which helps in addressing wider student market, moderate albeit growing scale of operations and profitability margins, comfortable leverage and debt coverage indicators and satisfactory liquidity position.

The rating, however, remains constrained due to high exposure to group entities and subsidiaries, regular need to incur capex and high competition in the education sector and regulatory risk

The ability of CPL to grow its scale of operations by increasing enrolments with improvement in profitability; while maintaining its capital structure and deriving satisfactory benefits from exposures taken in other group entities and subsidiaries would be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Established track record and recognized brand name of 'Career Point' in tutorial business

CPL has an established track record of more than two decades in providing quality education to students and has been able to establish its brand name in the tutorial business.

Experienced promoter group and sound management team

CPL has a sound management team which is headed by Mr Pramod Maheshwari, Chairman and MD, having more than two decades of experience in rendering education services.

Wide spectrum of courses which helps in addressing wider student market along with diversified revenue sources

The revenue stream of CPL (standalone) is diversified with revenue coming from own test preparation centres, franchisee operated centres, revenue from formal education services and sale of study materials. Furthermore, the company also books revenue from hostel and mess being run under residential school at Kota. The group offers courses ranging from pre-school up to doctoral level which helps it in addressing wider customer market.

Moderate albeit growing scale of operations with moderate profitability margins

CPL's scale of operation is moderate; albeit the same grew by around 20% on y-o-y basis in FY15 (refers to the period April 01 to March 31) and further by around 9% in FY16 on account of increase in enrolments across tutorials as well as increase in income from formal education business. The PBILDT margin improved in FY16 on account of better economies of scale and remained moderate.

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

Comfortable capital structure and debt coverage indicators

Over the years, CPL's capital structure and debt coverage indicators stood comfortable owing to lower reliance on debt and sufficient cash accruals and liquid investments to fund the capex undertaken from time to time.

Key Rating Weaknesses**Large exposure in terms of strategic investments in subsidiaries and group entities**

CPL over the years has increased its strategic investments and has further increased loans and advances to its subsidiaries as well as other group entities to support their operations and in order to derive anticipated benefits. The ability of the company to derive satisfactory benefits from these investments would be crucial with respect to credit perspective.

Regular need to incur capex

As the group is into formal and informal education, there would always be a need for continuous capex to upgrade / setup infrastructure for existing courses as well as to meet the requirement as per the increasing enrolments. The said risk gets minimised on account of healthy cash accruals generated by CPL which are utilised to fund these capex programmes.

High competition in the education sector and regulatory risk

Education sector in India is highly regulated with different bodies of government operating at different level. The coaching segment has both organised and unorganised players, which leads to high fragmentation and intense competition.

Analytical approach: Standalone

Applicable Criteria

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

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

[Rating Methodology-Education Sector](#)

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

About the Company

Kota-based (Rajasthan) CPL was started as a tutorial centre to provide tuitions for competitive exams in 1993 by Mr Pramod Maheshwari as a proprietorship firm and was reconstituted as a public limited company in March 2000; which subsequently got listed in October 2010 on the Bombay Stock Exchange and the National Stock Exchange. Over the years, the group grew by expanding its operations by opening up new ventures and has become an integrated education service provider.

As per the Audited results for FY16, CPL reported a TOI of Rs.74.84 crore (FY15: Rs.68.91 crore) and PAT of Rs.14.47 crore (FY15: Rs.9.70 crore). Furthermore, as per unaudited results for 9MFY17, the company has reported TOI of Rs.62.14 crore with PAT of Rs.11.10 crore.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

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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****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 /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-Working capital Term Loan	-	-	October 2020	5.11	CARE A; Stable

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-Working capital Term Loan	LT	5.11	CARE A; Stable	-	-	-	-

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