

Oxford Educational Society

December 10, 2019

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	10.00	CARE BB; Stable ISSUER NOT CO-OPERATING* (Double B; Outlook :Stable Issuer Not Cooperating)	Issuer not cooperating: On the basis of best available Information*
Total Facilities	10.00 (Rupees Ten crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Oxford Educational Society to monitor the rating vide e-mail communications dated September 05, 2019, October 10, 2019, November 08, 2019, November 12, 2019, November 26, 2019 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the rating. **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 Oxford Educational Society bank facilities will now be denoted as **CARE BB; 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.

Detailed description of the key rating drivers

The ratings assigned to the bank facilities of Oxford Educational Society (OES) are continues to be constrained by concentration risk with single lessee contributing to all of the revenue and volatility of real estate markets. The rating, however, derives its strengths from the established track record of the society, experience of the society members, satisfactory infrastructural facilities, improved SBID margins, Satisfactory capital structure and debt coverage indicators. Going forward, the ability of the society to renew the leases at present / escalated rentals in a timely manner and the timely cognizance of the financial stability of the lessee shall remain key rating sensitivities.

Key Rating Weaknesses

Concentration risk with single lessee contributing to all of the revenue

The revenue profile of OES is highly concentrated with lease rentals receivable from only DPS. The financial performance of the lessee shall remain critical from credit perspective, for repayment of loan by the society.

Volatility of real estate markets

A property cycle is a sequence of recurrent events reflected in demographic, economic and emotional factors that affect supply and demand for property subsequently influencing the property market. There are peaks and lows in the cycle. At peak, the market is usually tightest--occupancy rates are highest and rental growth is greatest and the adverse during the lows of the industry cycle.

Decrease in Gross Receipts

Gross Receipts of the society decreased from Rs.5.50 crore in FY18 to 2.21 crore in FY19

Key Rating Strengths

Established track record of the society and long term experience of the society members

The society has a track record of two decades. Mr. Kullai Reddy (Secretary/Correspondent) is a M.A, M.Ed, with over two decades of experience in the teaching sector. He is supported by other key society members who also have more than two decades of experience in the teaching sector.

Satisfactory infrastructure facilities and resources

OES's campus is spread across an area of 12 acres with separate blocks for each class. It has well maintained laboratories, a digitalized library with vast and comprehensive collections on various topics and subjects, a computer lab with 40 computer systems and auditorium with latest equipments.

Improved SBID margin in FY19

SBID margin has improved from 31.08% FY18 to 69.53% in FY19 and Surplus margin also improved and stood 9.50% in FY19.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications
 Issuer didn't cooperate; based on best available information

Satisfactory capital structure and debt coverage indicators

The capital structure marked by overall gearing ratio Satisfactory stood at 1.34x as on March 31, 2019. Total debt/GCA marginally deteriorated from 6.20x in FY18 to 6.45x in FY19 and Interest coverage ratio of the society marginally improved from 2.55% in FY18 to 2.61 in FY19

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 Society

Oxford Educational Society (OES) was founded in May, 2001 by Mr. Kullai Reddy (Secretary/Correspondent) and Mrs. Harini (President) in Anantapur, Andhra Pradesh. Oxford Educational Society has been running a school in the name of 'Oxford E.M High School' at two locations. One of the branches is located at Anantapur Old Town and other at Pamurai Village, Anantapur. The school located at Anantapur Old Town is basically a day school which has a total student base of 600. However, for the school located at Pamurai Village, Anantapur on a land area of 12 acres, Oxford Educational Society has entered into a lease rental agreement with Delhi Public School for 20 years with effective from April 2018. The total student base was 1000, however after leasing out to DPS, the number of students increased to 1100. Presently, OES is getting lease rental income of Rs.13.00 lakhs per month from DPS School. This income is towards rent for the school building given to DPS School. There will be enhancement of rent by 5% for every year.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Gross Receipts	5.50	2.21
PBILDT	1.71	1.54
PAT	0.22	0.21
Overall gearing (times)	1.89	1.69
Interest coverage (times)	2.55	2.61

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-2030	10.00	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

*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 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	10.00	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1) CARE BB; Stable (27-Aug-18)	-	-

*Issuer did not cooperate; based on best available information

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.

Disclaimer

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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