

JUNE 10, 2016

**CARE REVISES THE RATING ASSIGNED TO THE LONG-TERM FUND BASED FACILITIES OF
TREE HOUSE EDUCATION & ACCESSORIES LIMITED**

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term fund based limits	102.80	CARE BBB (continues on Credit Watch) [Triple B]	Revised from CARE A (placed on Credit Watch) [Single A]
Total	102.80 (One hundred and two crore and eighty lakhs only)		

CARE continues to keep the rating assigned to the bank facilities of Tree House Education & Accessories Limited (TEAL) on “credit watch” in view of in-principle approval by the company’s Board of Directors for exploring consolidation options with Zee Learn Limited. CARE is monitoring the developments in this regard and will take a view on the ratings once the exact implications of the above development on the credit profile of the company are clear.

Rating Rationale

Revision in the long-term rating assigned to bank facilities of TEAL takes cognizance of weak financial performance reported by the company in Q4FY16 (refers to period January 01 to March 31). Considering the nature of the business and revenue profile, a deterioration in financial performance as reported by the company was not envisaged. The company reported loss in Q4FY16 with a sharp decline in revenue on closure of non-profitable centres and also high establishment expenses towards setting up new centres. Further, it has written off receivables aggregating Rs. 22.46 crore related to pre-school segment. With this, the company’s profit after tax for FY16 (refers to period April 01 to March 31) declined by 89% y-o-y to Rs. 6.78 crore. Besides, the monetisation of K12 assets as envisaged was not materialised.

However, the rating continues to derive strength from reputed brand in pre-school segment with wide geographic presence, moderate debt protection metrics during FY16 and presence of liquidity in the form of cash and bank balances as on date.

Any further deterioration in operational & financial performance would be key rating sensitivities.

Background

TEAL incorporated on July 10, 2006 as a private limited company by Mr. Rajesh Bhatia and his wife Ms. Geeta Bhatia, is primarily engaged in pre-school education across various locations in India. As on March 31, 2016 there were 636 pre-school centres. TEAL also operates in K12 segment with 24 schools under its management. The company reported loss of Rs. 40.10 crore on Total Operating Income (TOI) of Rs.27.27 crore in Q4FY16 as compared to PAT of Rs. 17.12 crore on TOI of Rs. 50.68 crore in Q4FY15.

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

Further, the company's reported Profit After Tax (PAT) reduced significantly to Rs. 6.78 crore on Total Operating Income (TOI) of Rs. 209.33 crore in FY16 as compared to PAT of Rs. 60.88 crore on TOI of Rs. 207.45 crore in FY15.

Analyst Contact

Name: Divyesh Shah

Tel: +91-22-6754 3441

Mob: 9890934167

Email: divyesh.shah@careratings.com

****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 assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating 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.

CONTACT**Head Office Mumbai****Mr. Saikat Roy**

Mobile: + 91 98209 98779

E-mail: saikat.roy@careratings.com

Mr. Amod Khanorkar

Mobile: + 91 98190 84000

E-mail: amod.khanorkar@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD**Mr. Mehul Pandya**

32, Titanium, Prahaladnagar Corporate Road,

Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

E-mail: mehul.pandya@careratings.com

BENGALURU**Mr. Deepak Prajapati**

Unit No. 1101-1102, 11th Floor, Prestige Meridian II,

No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-9099028864

Tel: +91-80-4115 0445, 4165 4529

E-mail: deepak.prajapati@careratings.com**CHANDIGARH****Mr. Sajan Goyal**

2nd Floor, S.C.O. 196-197, Sector 34-A,

Chandigarh - 160 022.

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@careratings.com

CHENNAI**Mr. V Pradeep Kumar**

Unit No. O-509/C, Spencer Plaza, 5th Floor,

No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com

COIMBATORE**Mr. V Pradeep Kumar**

T-3, 3rd Floor, Manchester Square

Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com

HYDERABAD**Mr. Ramesh Bob**

401, Ashoka Scintilla, 3-6-502, Himayat Nagar,

Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: ramesh.bob@careratings.com**JAIPUR****Mr. Nikhil Soni**

304, Pashupati Akshat Heights, Plot No. D-91,

Madho Singh Road, Near Collectorate Circle,

Bani Park, Jaipur - 302 016.

Cell: +91 - 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: nikhil.soni@careratings.com**KOLKATA****Ms. Priti Agarwal**

3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)

10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com

NEW DELHI**Ms. Swati Agrawal**

13th Floor, E-1 Block, Videocon Tower,

Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com

PUNE**Mr. Pratim Banerjee**

9th Floor, Pride Kumar Senate,

Plot No. 970, Bhamburda, Senapati Bapat Road,

Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: pratim.banerjee@careratings.com

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