

OCTOBER 12, 2015

CARE REVISES RATING ASSIGNED TO BANK FACILITIES OF TREE HOUSE EDUCATION & ACCESSORIES LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Fund based Bank Facilities	102.80	CARE A [Single A]	Revised from CARE A- [Single A Minus]
Total Facilities	102.80 (Rupees One Hundred Two Crore and eighty lakhs only)		

Rating Rationale

The revision in long-term rating assigned to bank facilities of Tree House Education & Accessories Limited (TEAL) factors in successful Qualified Issue Placement (QIP) issue of Rs. 200 crore in FY15 (refer to period April 01 to March 31) resulting in improved capital structure. Further, the rating continues to derive strength from well- established & experienced promoters, reputed brand in pre-school segment, along with steady operational performance translating into healthy debt coverage indicators.

However, the aforementioned rating strengths are tempered by TEAL's working capital sensitive operations marked by higher collection period in K12 segment, burgeoning competition largely from unorganised players in pre-school segment and exposure to K12 segment.

Any large debt funded capital expenditure and timely monetisation of K12 assets are key rating sensitivities.

Background

TEAL incorporated on July 10, 2006 as private limited company by Mr. Rajesh Bhatia and his wife Ms. Geeta Bhatia, is majorly into pre-school education across various locations in India. As on March 31, 2015 the company has 612 pre-schools and 24 K12 schools in 88 cities. TEAL concluded QIP issue of 45.45 lakh equity shares at the issue price of Rs. 440 per equity share aggregating Rs. 200 crore in FY15. The company reported Profit After Tax (PAT) of Rs. 60.87 crore on Total Operating Income (TOI) of Rs.211.45 crore in FY15 as compared to PAT of Rs. 43.92 crore on TOI of Rs. 158.97 crore in FY14. Further, the company reported PAT of Rs. 18.02 crore on TOI of Rs. 69.03 crore in Q1FY16 (refers to period April 01, to June 30,) as compared to PAT of Rs. 16.06 crore on TOI of Rs. 53.91 crore in Q1FY15.

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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 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.

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