

Women's National Educational Society

December 19, 2019

Ratings

| Facilities | Amount (Rs. crore) | Ratings ¹ | Rating Action |
|---------------------------|--|---|--|
| Long-term Bank Facilities | 5.05 (Reduced from Rs.5.67) | CARE B+; Stable (Single B Plus; Outlook: Stable) | Revised from CARE B; Stable (Single B; Outlook: Stable) |
| Total | 5.05 (Rupees Five Crore Five Lakh only) | | |

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the bank facilities of Women's National Educational Society (WNES) takes into account growth in total operating income (FY19 Audited refers to period April 01 to March 31), improvement in operational margin and cash accrual and improvement in capital structure and debt coverage indicators. However the rating continues to be tempered by uneven cash-flow associated with educational Institutes, presence in a highly competitive industry. Further the rating continues to derive strength from established track record and long experience of society members, satisfactory infrastructure facilities and resources.

Key Rating Sensitivity

Positive Factors

- Increase in scale of operations marked by total operating income above Rs.8.50 crore
- Improvement in profitability margins marked by SBID margin above 31 bps

Negative Factors

- Deterioration in capital structure with overall gearing leveraging beyond 1.50 times
- Deterioration in cash flow operation

Detailed description of the key rating drivers

Key Rating Weaknesses

Uneven cash-flow associated with educational Institutes

The revenue stream of the society is skewed towards the beginning of the academic year (normally between June-August) when the bulk of the tuition fees, hostel fees and other related income is collected whereas the society incurs regular stream of payments for meeting staff salary, maintenance activities, interest expenses amongst others.

Presence in a highly competitive industry

The education sector offers immense potential as there is a growing demand for the services offered driven by increasing propensity of the middle class to spend on education and India's increasing population. Due to new colleges being added every year along with established college's results in high competition level in the state and adjoining areas of WNES. Also, the fees for various courses are presently fixed by regulatory authority, which limits on the revenue growth

Key Rating Strengths

Established track record and long experience of society members

The society has track record of around eight decades. The society is managed by well qualified personnel i.e., Mr. Kudpi Jagadish Shenoy (President), Mr. M. Manel Annappa Nayak (Vice President) and Mr. V. Shyam Sundar Kamath (Secretary) all are qualified graduates and having more than two decades of experience in the field of academics. The day to day activities of WNES are managed by Mr. Satish Kumar Shetty and Mr. Lakshmi Narayana Bhat who are principals of the schools under the guidance of society members. The policy decisions such as starting new college under the society, new courses, and investment in infrastructure are decided by the society members.

Satisfactory infrastructure facilities and resources

The campus, which is spread over 6 acres of land, is divided into four floors. It has libraries including digital library with vast and comprehensive collections on various topics and subjects. It is equipped with e-computerized and bar coded systems with an online access catalogue for searching books and also study materials for advanced courses. It has 7 Auditoriums which has a capacity over 2200 audiences. The campus has separate hostel for boys and girls with health care centre. The society has 18 laboratories and 3 play grounds.

Growth in total operating income

The Gross Receipts of the society improved and stood at Rs.7.86 crore in FY19 as compared to Rs.6.48 crore in FY18 representing a growth of 21.57% on account of increase in number of student's admissions into school and college along with increase in annual course fees collected from the students. However in FY17, the TOI stood at Rs.5.65 crore.

Improvement in operational margin and cash accruals

The SBID margin of the society has improved during FY19 standing at 21.57% as compared to 9.16% in FY17 due to increase in the gross receipts. The society has deficit of Rs.0.62 crore as on March 31, 2019, however it has improved compared to net loss of Rs.2.57 crore on March 31, 2017 due to increase in SBID in absolute terms and decrease in depreciation and interest cost. The cash accruals of the society improved and stood at Rs.1.08 crore in FY19 as compared to cash losses of Rs.0.37 crore in FY17.

Improvement in capital structure and debt coverage indicators

The capital structure of the society marked by overall gearing improved and stood at 0.65x as on March 31, 2019 as compared to 0.87x as on March 31, 2018 due to decrease in total debt levels marked by lower utilization of working capital and repayment of term loan instalments. Further, the overall gearing stood at 0.89x as on March 31, 2017. The net worth of the society is seen eroding due to net losses and stood at Rs.8.28 crore as on March 31, 2019.

The working capital cycle of the society remained comfortable during the review period. The society receives annual tuition fee on time from its students. Further, the society makes the payment to its suppliers (like stationery and computer) on cash basis.

The debt coverage indicators marked by Total debt/ GCA and SBID interest coverage improved and stood at 4.99x and 2.57x as on March 31, 2019 as compared to 18.02x and 1.44x as on March 31, 2018 on back of repayment of loans coupled with increase in cash accruals.

Liquidity Analysis: Stretched

The liquidity profile of the firm is stretched. The firm has moderate cash and bank balance of Rs.0.97 crore as on March 31, 2019. The current ratio remained below unity at 0.85x as on March 31, 2019.

Analytical Approach: Standalone

Applicable criteria

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

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

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

[Rating Methodology - Service Sector companies](#)

About the Society

Womens National Education Society (WNES) is registered under society's registration act 1860. WNES was founded in 1918 by Ms. Besant then joined by society members, Mr. Kudpi Jagadish Shenoy (President), Mr. Manel Annappa Nayak (Vice-President) Mr. V. Shyam Sundar Kamath (Secretary) and other members in 1943 for running the society. WNES presently manages seven Schools & Colleges under the society namely MSNM Besant Institute of PG Studies (MBA), Besant Higher Primary School (1st to 7th), Besant National High School (8th to 10th), Besant English School (1st to 10th), Besant National PU College (Science, Commerce and Arts), Besant Women's College (Degree & PG) and Besant Evening College (Degree & PG) in the Mangalore, Karnataka state, India

| Brief Financials (Rs. crore) | FY18 (A) | FY19 (A) |
|--------------------------------|----------|----------|
| Gross Receipts | 6.48 | 7.86 |
| SBID | 1.26 | 1.70 |
| Surplus/Deficit | -1.33 | -0.62 |
| Overall gearing (times) | 0.87 | 0.65 |
| SBID Interest coverage (times) | 1.44 | 2.57 |

A: Audited

Status of non-cooperation with previous CRA: Nil

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, 2026 | 5.05 | CARE B+; 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 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 | 5.05 | CARE B+; Stable | - | 1)CARE B; Stable (21-Sep-18) | 1)CARE B; Stable (01-Nov-17) | - |

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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