

July 21, 2017

Rashtrorathana Parishat

Summary of rated instruments

Instrument*	Rated Amount (in Rs. crore)	Rating Action
Long Term - Fund-based Limit	35.00	[ICRA]A- (Stable)/Reaffirmed
Total	35.00	

*Instrument Details are provided in Annexure-1

Rating action

ICRA has reaffirmed the long-term rating at [ICRA]A- (pronounced ICRA A minus)¹ to the Rs. 35.00-crore² long-term fund-based bank facilities of Rashtrorathana Parishat (RP). The outlook on the long-term rating is Stable.

Rationale

The rating reaffirmation favourably factors in the strong growth in revenues over the years supported by increase in student intake level coupled with upward revision in fees. The growth in operating income has also been supported by favourable increase in income from other segments such as blood bank, gym and yoga centres run by the society. The reaffirmation also positively factors in the healthy financial profile of the society, characterised by high profit margins and adequate coverage indicators. The strong net worth position of the society on the back of healthy internal accruals, coupled with low reliance on external debt resulted in comfortable capital structure. The long presence of the society in the education sector and the strong brand name it has built over the years are likely to support growth prospects, going forward.

The rating reaffirmation is, however, constrained by the society's small scale of operations that reduces financial flexibility to an extent and its exposure to changes in regulations in the education sector. The reaffirmation is also limited by the society's regular debt-funded capital expenditure in the past that has exerted marginal pressure on its cash flows.

The society's ability to scale up its operations while sustaining its profitability, and any major debt-funded capital expenditure undertaken by it impacting its cash flows and coverage indicators would be the key rating sensitivities.

Key rating drivers

Credit strengths

- Long presence of the society in the education sector
- Growth in revenues supported by healthy student occupancy levels and upward fee revisions in the educational institutes run by the society
- Healthy financial profile marked by high profit margins, low gearing and adequate coverage indicators

¹ For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

² 1 crore = 100 lakhs = 10 million

Credit weaknesses

- Modest scale of operations of the society
- Exposure to changes in regulations in the education sector
- Cash flows constrained by the regular debt-funded capital expenditure incurred by the society

Description of key rating drivers

Rashtrorathana Parishat has presence in the field of education for over 50 years. The society runs 21 educational institutions which include CBSE schools, state-board schools and pre-university colleges. The occupancy levels at the schools are healthy, supported by the established brand image of the society backed by its long presence in the education sector and various community-empowerment initiatives undertaken by it. The growth in intake levels and upward revision of fee has resulted in strong revenue growth in the past, albeit on a small base, and high profit margins and healthy internal accruals. The capital structure is comfortable with a gearing of 0.21 times as on March 31, 2017, supported by strong net worth position. The increase in student intake levels at the schools run by the society mandates regular investments in buildings. This led to significant debt-funded capital expenditure in the past, resulting in stretched free cash flows. As the society derives ~80% of its income from school fee collections, the revenues are exposed to any changes in regulations in the education sector.

Analytical approach

For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable Criteria**Corporate Credit Rating - A Note on Methodology****About the society**

Rashtrorathana Parishat, incorporated in 1965 as a society, runs schools and pre-university colleges, yoga and gym centres, blood banks and protection and development centre for indigenous cow species (goshala) in Karnataka. Apart from these, the society is also involved in organising cultural and educative lecture programmes, publishing books and releasing audio cassettes. The society also undertakes initiatives such as TAPAS, under which it provides free education to marginalised students at pre-university level along with entrance exam coaching to get into premier institutes such as IITs and NITs.

In FY2017, as per provisional results, the society reported an operating income of Rs. 67.83 crore and a net profit of Rs. 15.13 crore against an operating income of Rs. 59.47 crore and a net profit of Rs. 16.49 crore in FY2016.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years:
Table:

S. No.	Name of Instrument	Current Rating in FY2018			Chronology of Rating History for the past 3 years			
		Type	Rated amount (Rs. Crore)	Month-year & Rating in FY2018	Month-year & Rating in FY2017	Month- year & Rating in FY2016	Month- year & Rating in FY2016	
				July 2017	May 2016	November 2015	April 2015	
1	Term Loan	Long term	20.00	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]BBB+(Stable)	
2	Overdraft	Long term	10.00	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]BBB+(Stable)	
3	Cash Credit (mortgage loan against property)	Long term	5.00	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]BBB+(Stable)	

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Instrument Details

Name of the instrument	Date of issuance/ sanction	Coupon rate	Maturity Date	Size of the issue (Rs. crore)	Current Rating and Outlook
Term Loan	Feb 2016	12.55%	Dec 2025	20.00	[ICRA]A- (Stable)
Overdraft	-	-	-	10.00	[ICRA]A- (Stable)
Cash Credit (mortgage loan against property)	-	-	-	5.00	[ICRA]A- (Stable)

Source: Rashtrrothana Parishat



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