

September 22, 2017

Alvas Education Foundation

Summary of Rated Instruments

Instruments [^]	Amount Rated (Rs. crore)	Rating Action
Long-term – Term Loan	200.00	[ICRA]B+ (Stable); ISSUER NOT COOPERATING*; Rating moved to the 'Issuer Not Cooperating' category
Total	200.00	

[^]Instrument Details are provided in Annexure-1

*Issuer did not cooperate; based on best available information

Rating action

ICRA has moved the long term rating outstanding of [ICRA]B+ (pronounced as ICRA B plus)¹ to the Rs. 200.00-crore² long term facilities of Alvas Education Foundation (AEF) to 'Issuer not cooperating' category. The outlook on the long term rating is 'Stable'. The rating is now denoted as '[ICRA]B+ (Stable) ISSUER NOT COOPERATING'.

Rationale

The rating is based on no updated information on the company's performance since the time it was last rated in March 2016. The lenders, investors and other market participants are thus advised to exercise appropriate caution while using this rating as the rating does not adequately reflect the credit risk profile of the entity. The entity's credit profile may have changed since the time it was last reviewed by ICRA; however, in the absence of requisite information, ICRA is unable to take a definitive rating action.

As part of its process and in accordance with its rating agreement with Alvas Education Foundation, ICRA has been trying to seek information from the entity so as to monitor its performance, but despite repeated requests by ICRA, the entity's management has remained non-cooperative. In the absence of requisite information, and in line with SEBI's Circular No. SEBI/HO/MIRSD4/CIR/2016/119, dated November 01, 2016, ICRA's Rating Committee has taken a rating view based on the best available information.

Key rating drivers

Credit Strengths

- **Long and established track record of the trust in education sector**—The trust was established in 1995 and offers variety of courses and programmes through 17 institutes in various disciplines like ayurveda, nursing, physiotherapy, naturopathy, engineering, pre-university colleges, high school etc.
- **Healthy increase in total number of students**—Regular investment by the trust in infrastructure and accreditations has helped in regular increase in the new admissions, especially for the Pre University and Degree College
- **Diversified Revenues Stream**—Diversified and stable revenue stream as the trust operates seventeen institutes with courses in the field of engineering, medical, nursing, and Pre University courses.

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

² 100 lakh = 1 crore = 10 million

Credit Weaknesses

- **Significant debt-funded capital expenditure** – Significant debt-funded capital expenditure incurred towards expansion of infrastructure facility which might exert pressure on the capital structure and debt protection metrics. Increase in debt has resulted in leveraged capital structure characterized by high gearing and moderate debt protection metrics.
- **High regulatory intensity of the educational sector** – The revenue of the trust continues to remain vulnerable on back of tight regulatory structure in the higher education sector in India. The trust's various institutes have to abide by the rules framed by various regulatory bodies like All Indian Council of Technical Education (AICTE), Rajiv Gandhi Institute of Health Sciences (RGIHS), University Grants Commission (UGC), individual universities and state governments.
- **Risk of cash flow mismatch**–Risk of cash flow mismatch during the year with different fee collection frequency for each institute and which may pose the risk of short-term liquidity mismatches

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](#)
[Guidelines on what constitutes Non Cooperation](#)

About the company:

Established in 1995, Alva's Educational Foundation (AEF) is an education trust offering courses/programs in various disciplines. Its institutes are situated in Moodabidri, a town adjacent to Mangalore, Karnataka. Currently, AEF operates 17 institutes offering more than 30 courses in various disciplines like ayurveda, nursing, physiotherapy, naturopathy, engineering, pre-university colleges, high school etc. Many of the colleges are resident type and the infrastructure facilities include an auditorium, common canteens, sports facilities, libraries, laboratories and hostels. The various courses offered by AEF are affiliated to Mangalore University, Rajiv Gandhi University of Health and Science, Visveswaraya Technological University, PU Board and Nursing Council of Karnataka.

Key Financial Indicators

	FY2014	FY2015
Operating Income (Rs. crore)	128.00	159.20
PAT (Rs. crore)	15.02	11.47
OPBDIT/ OI (%)	27.26%	25.43%
RoCE (%)	18.40%	11.78%
Total Debt/ TNW (times)	1.70	2.45
Total Debt/ OPBDIT (times)	3.16	4.62
Interest coverage (times)	4.96	5.57
NWC/ OI (%)	(7.0)%	(10.0)%

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress); NWC: Net Working Capital

Status of non-cooperation with previous CRA: Not applicable.

Any other information: Not applicable.

Rating history for last three years:
Table:

S. No	Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. Crore)	Date & Rating	Month- year & Rating		
				FY2018	FY2017	FY2016	FY2015
		September 2017			-	March 2016	August 2014
1	Fund based – Term Loan	Long Term	200.00	[ICRA]B+ (Stable) ISSUER NOT COOPERATING*	-	[ICRA]B+	[ICRA]B+

*Issuer did not cooperate; based on best available information

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-
Instrument details**

Instrument	Date of issuance	Coupon rate	Maturity Date	Amount Rated (Rs. Cr)	Current Rating and Outlook
Fund based – Term Loan	-	-	FY 2023	200.00	[ICRA]B+ (Stable) ISSUER NOT COOPERATING*

**Issuer did not cooperate; based on best available information*

Source: IEHPL

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About ICRA Limited:

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Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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