

## Sidhi Vinayak Foundation

April 04, 2018

### Summary of rated instruments

Instrument*	Current Rated Amount(Rs. crore)	Rating Action
Fund-based - Term Loan	10.00	[ICRA]B(Stable);Assigned
<b>Total</b>	<b>10.00</b>	

\*Instrument details in Annexure I

### Rating action

ICRA has assigned the long-term rating of [ICRA]B (pronounced ICRA B) on the Rs. 10.00-crore<sup>1</sup> bank facility of Sidhi Vinayak Foundation (SVF)<sup>2</sup>. The outlook on the long-term rating is Stable.

### Rationale

ICRA's rating takes into consideration the nascent stage of the school's operation and low student strength. The ratings are also constrained by the intensely competitive nature of education industry due to the presence of various reputed as well as small players. Moreover, the rating is subdued on account of SVF's weak debt-coverage metrics due to the losses at the operational and net surplus level. Moreover, SVF will remain dependent on timely and increased promoter support amid the ongoing debt repayments.

However, ICRA positively considers the brand name of The Millennium School and professionally-qualified school management. ICRA has also taken note of the school's competitive fee structure and strategic location in Palwal, Haryana where students from the nearby rural areas can also take admission. Moreover, the management's marketing efforts to increase the occupancy level through advertising on various platforms is expected to boost SVF's revenue growth.

Going forward, SVF's ability to ramp up its operating scale and surpluses to improve its coverage metrics will remain the key rating sensitivities.

### Outlook: Stable

ICRA believes that the society will benefit from the professionally-qualified management and established brand name as a franchise of The Millennium School. The outlook may be revised to Positive if substantial growth in revenue and profitability strengthens the financial risk profile. The outlook may be revised to Negative in case of lower-than-expected enrolments, or announcement of any major capital expenditure, or absence of timely promoter support.

### Key rating drivers

### Credit strengths

**Benefits arising from the reputed brand name of The Millennium School** - The promoters and their families are professionally qualified and are involved in the day-to-day operations school. The school's association with brand names like The Millennium School and Educomp would support in ramping up the student strength.

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>2</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications

**Satisfactory infrastructure facilities and favourable location** - The Millennium School has been developed as a modern educational institution in Palwal with good infrastructure. The school has extensive facilities for sports and extra-curricular activities. Though the school is exposed to competition from other established institutes, its brand image lends it a competitive advantage. The location of the school in a well-occupied residential space in Palwal and its proximity to the adjoining rural areas are other positives.

## Credit challenges

**Negative operating and net surpluses due to low student occupancy level** - The operating income (OI) in FY2017 remained low due to low student strength. With no surpluses generated and large capital expenditure undertaken for constructing the school, the return indicators were weak in the fiscal year.

**Dependence on promoter support for repayment commitments; weak coverage indicators** - The negative surplus has made the society highly dependent on promoter contribution to manage its cash flows. Going forward, the society has large repayment commitments that will start from Q1 FY2019. The debt-coverage indicators of the society remain weak due to negative surpluses. Further, the company is exposed to cash-flow mismatch risk due to the lumpy nature of fee receipts against the quarterly debt-servicing obligation.

**Intense competition limits fees** - The education industry is intensely competitive and fragmented in nature given the presence of established players as well as numerous small players in the unorganised sector. This limits fees and profitability.

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

**Links to applicable criteria:**

[Corporate Credit Rating Methodology](#)

## About the company

SVF entered into an agreement with Millennium Education Management Private Limited for establishing a school campus named The Millennium School in Palwal in Haryana. The school commenced operations from April 2017 onwards with classes from KG to VII and a student strength of around 63. In FY2019, the school is expected to operate with classes from KG to VIII with strength of around 300 students against total capacity of 1,296.

## Key financial indicators (Audited)

	FY2016	FY2017
Operating Income (Rs. crore)	0.09	0.02
PAT (Rs. crore)	0.01	(0.47)
OPBDIT/OI (%)	12.59%	(2314) %
RoCE (%)	11.75%	(2364) %
Total Debt/TNW (times)	0.52	0.95
Total Debt/OPBDIT (times)	(21.12)	(19.03)
Interest Coverage (times)	-	-
NWC/OI (%)	987%	8728%

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

**Any other information: None**

**Rating history for last three years:**

Instrument	Type	Current Rating (FY2019)		Date & Rating	Chronology of Rating History for the past 3 years		
		Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)		Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016
1 Cash Credit	Long Term	10.00	10.00	April 2018 [ICRA]B (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](http://www.icra.in)

## Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	April 2016	-	March 2026	10.00	[ICRA]B (Stable) Source: Sidhi Vinayak Foundation

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