

Rating Update

August 25, 2021 | Mumbai

BLS Institute of Management

Update as on August 25, 2021

This update is provided in continuation of the rating rational below.

The key rating sensitivity factors for the rating include:

- Growth in revenue and sustained profitability, leading to higher net cash accrual of over Rs 30 million
- Reduction in loans and advances given, leading to improved liquidity

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, CRISIL Ratings seeks regular updates from companies on the business and financial performance. CRISIL Ratings is, however, awaiting adequate information from BLS Institute of Management (BLS) which will enable us to carry out the rating review. CRISIL Ratings will continue provide updates on relevant developments from time to time on this credit.

CRISIL Ratings also identifies information availability risk as a key credit factor in the rating assessment as outlined in its criteria 'Information Availability Risk in Credit Ratings'.

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Rating Rationale

July 15, 2020 | Mumbai

BLS Institute of Management

'CRISIL BB-/Stable' assigned to bank debt

Rating Action

Total Bank Loan Facilities Rated	Rs.7.4 Crore
Long Term Rating	CRISIL BB-/Stable (Assigned)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has assigned its '**CRISIL BB-/Stable**' rating to the long-term bank facility of BLS Institute of Management (BLS).

The rating reflects the extensive experience of BLS' promoters, and the comfortable capital structure. These strengths are partially offset by the modest scale with intense competition, significant loans and advances for unrelated activities, and susceptibility to changes in government regulations.

Analytical Approach

Unsecured loans have been treated as debt.

Key Rating Drivers & Detailed Description

Strengths:

*** Extensive experience of the promoters:**

Extensive experience of the promoters in education services industry through Mount Litera Zee School and Yadhuvashi Shiksha Niketan schools and strong focus on quality education have helped gain occupancy of 70% within a short span of time, leading to revenue of Rs 19 crore in fiscal 2020, from Rs 13 crore in fiscal 2019.

*** Comfortable capital structure:**

Capital structure is comfortable, as reflected in estimated networth of Rs 29 crore, and low gearing and total outside liabilities to adjusted networth ratios of 0.44 time and 0.54 time, respectively, as on March 31, 2020. Repayment of debt will lead to improvement in capital structure, going forward.

Weaknesses:

*** Susceptibility to changes in regulations governing educational institutions:** Establishment and operations of educational institutions are regulated by various governmental and quasi-governmental agencies. Any noncompliance will result in cancellation of affiliation and license, leading to loss of reputation and revenue for the institutions.

*** Modest scale of operations, with geographical concentration in revenue:**

Revenue was modest at Rs 19 crore for fiscal 2020. Moreover, geographic concentration in revenue and limited number of institutes constrain scalability. There is intense competition from several institutes. Sustained inflow of students will depend on the ability to offer quality education through continuous infrastructure development, and by recruiting and retaining good faculty.

Please note: This advisory should not be construed as a rating reaffirmation.

* Significant exposure in form of loans & advances:

BLS has sizeable exposure in the form of loans and advances (Rs 19.25 crore as of March 2019) extended to various builders for construction activities. Any further increase in exposure or delay in recovery could constrain the financial risk profile.

Liquidity Stretched

Cash accrual of Rs 2.5-3 crore per annum in fiscal 2021 and 2022, should comfortably cover the maturing debt of Rs 0.43 crore and Rs 1.00 crore, respectively. Bank limit of Rs 7.4 crore was utilised around 86% on an average for the 12 months through January 2020. Cash and cash equivalents were moderate at Rs 2.86 crore as on March 31, 2019. Liquidity is also supported by unsecured loans from the promoters. The society has also availed moratorium on all the bank facilities for the period of April to August 2020.

Outlook: Stable

CRISIL believes BLS will continue to benefit from the extensive experience of its promoters, and strong demand for education.

Rating sensitivity factors

Upward factors

* Growth in revenue and sustained profitability, leading to higher net cash accrual of over Rs 3 crore* Reduction in loans and advances given, leading to improved liquidity

Downward factors

* Decline in scale of operations or profitability, leading to cash accrual below Rs 1.5 crore* Debt funded capital expenditure, or higher loans given, leading to stretch on liquidity.

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Key Financial Indicators

As on/for the period ended March 31	Unit	2019	2018
Operating income	Rs crore	13.31	12.74
Reported profit after tax	Rs crore	(3.56)	(4.12)
PAT margin	%	(26.78)	(32.39)
Adjusted Debt/Adjusted Networth	Times	0.49	0.54
Interest coverage	Times	0.64	0.05

Status of non cooperation with previous CRA

BLS has not cooperated with CARE Ratings which has classified it as non-cooperative vide release dated March 23th 2020. The reason provided by CARE Ratings is non-furnishing of information for monitoring of ratings.

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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CRISIL complexity levels are assigned to various types of financial instruments and are included (where applicable) in the Annexure -- Details of Instrument in this Rating Rationale. For more details on the CRISIL complexity levels, please visit www.crisil.com/complexity-levels.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Cr)	Complexity Levels	Rating assigned with outlook
NA	Cash Credit/ Overdraft Facility	NA	NA	NA	7.4	NA	CRISIL BB-/Stable

Annexure - Rating History for last 3 Years

Current				2020 (History)		2019		2018		2017		Start of 2017
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	7.40	CRISIL BB-/Stable		--		--		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit/ Overdraft facility	7.4	CRISIL BB/Stable	--	0	--
Total	7.4	--	Total	0	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[CRISILs criteria for rating Education institutions](#)

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For further information contact:

Media Relations	Analytical Contacts	Customer Service Helpdesk
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Saman Khan
Media Relations
CRISIL Limited
D: +91 22 3342 3895 B:
+91 22 3342 3000
saman.khan@crisil.com

Naireen Ahmed
Media Relations
CRISIL Limited
D: +91 22 3342 1818 B:
+91 22 3342 3000
naireen.ahmed@crisil.com

Rahul Guha
Director - CRISIL Ratings **CRISIL Limited**
D:+91 22 4097 8320 rahul.guha@crisil.com

Ankita Gupta
Associate Director - CRISIL Ratings
CRISIL Limited
D:+91 22 4097 8104
ankita.gupta@crisil.com

Nikhil Kadam
Rating Analyst - CRISIL Ratings
CRISIL Limited
D:+91 22 4040 5803
Nikhil.Kadam@crisil.com

Timings: 10.00 am to 7.00 pm
Toll free Number:1800 267 1301

For a copy of Rationales / Rating Reports:
CRISILratingdesk@crisil.com

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