

October 25, 2010

**CARE ASSIGNS 'PR1' RATING TO THE CP/STD OF
EVERONN EDUCATION LTD.****Ratings**

Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Commercial Paper (CP)/ Short Term NCD (ST-NCD) Issue	50.00	'PR1' [PR One]	Assigned

Rating Rationale

The rating derives strength from Everonn's nationwide presence across various segments of education sector (preschool to higher education), its established presence in the Instructional and Communication Technology (ICT) segment catering to government schools, its leadership position in satellite based (VSAT) remote teaching under ViTELS segment, promoters' two decades of experience in the industry, high PBILDT margin and low leverage. Above rating also factors in high growth potential in the industry.

The rating is constrained by longer working capital cycle on account of higher receivable days, capital intensive nature of operations with return spread over a period of five years, execution risk associated with the high growth envisaged by the company and growing competition from both organized and unorganized players.

Any increase in exposure to group companies beyond envisaged level and timely mobilization of long-term funds in line with its business growth are key rating sensitivities. Net worth of the company as on Mar '10 was Rs.258.25 crore. Both overall gearing ratio and debt equity ratio was low at 0.33 x and 0.27 x respectively as on Mar'10. Interest coverage ratio remained comfortable at 6.90 times during FY10.

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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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¹Complete definition of the ratings assigned are available at www.careratings.com and other publications of CARE

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