

August 10, 2010

CARE ASSIGNS 'CARE BBB- (SO)' RATING TO THE BANK FACILITIES OF PP CHARITABLE TRUST

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	25.00*	'CARE BBB- (SO) [Triple B Minus (Structured Obligation)]'	Assigned
Total Facilities	25.00		

- The rating for the above facility is enhanced by the explicit support extended by the trustees for debt servicing.

Rating Rationale

The rating takes into consideration the explicit support extended by the trustees for honouring the debt obligations of PPCT, resourcefulness of the promoters and successful tying up of debt for the school project. The ratings are however constrained by time overrun in the project execution leading to likely delay in commencement of the operations of the school, lack of experience of main trustees in the field of education and increasing competition from other schools offering international education. The ratings also consider the regulatory challenges involved in the educational sector in India.

Completion of the project within the envisaged cost and time and enrolment of students as envisaged would remain the key rating sensitivities.

Profile

PPCT has been promoted by the PP Jewellers (PPJ) Group for establishing, developing and operating vocational and educational institutions. PPCT has undertaken a project for setting up a Senior Secondary Level School by the name of Perfect Public School (P.P. School).

The school is being set up on a piece of land measuring 7,200 sq mtr at Pitampura, New Delhi. The school will seek affiliation from CBSE Board for academic curriculum.

The total cost of the project has been estimated at Rs.40 cr including 3% contingency expenses (Rs.1.1 cr). The project is proposed to be funded through term loans of Rs.25 cr (already sanctioned), corpus fund of Rs.10 cr and unsecured loans from trustees of Rs.5 cr. Till May 20, 2010, the trust had spent Rs.12.81 cr for the construction of the school. The same has been funded through term loan from State Bank of India (SBI) of Rs.6.07 cr, unsecured loans of Rs.5.93 cr, corpus funds of Rs.0.47 and Rs.0.34 cr as donations received during the year.

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

The construction of the school is expected to be completed by September 2010 and the operations are expected to start from March 2011.

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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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