



## Press Release

### Sri Rama Educational Trust (SRET)

November 24, 2020

#### Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1	Fund Based Bank Facilities – Proposed Term Loans	45.00	IVR BB+/ Stable Outlook (IVR Double B Plus with Stable Outlook)
2	Fund Based Bank Facilities – Proposed Cash Credit	20.00	
	<b>Total</b>	<b>65.00</b>	

Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating assigned to the bank facilities of Sri Rama Educational Trust derives strength from an experience of the trustees, state of art infrastructure & association with experienced faculties and reputed doctors, almost 100% enrolment rate in educational institute, stable financial position and location advantage of the medical college and hospital. However, these strengths are partially offset by a moderate scale of operations, limited brand image of the college & hospital, susceptibility to regulatory risks and reputational risk.

#### Key Rating Sensitivities

##### Upward Factor

- Improvement in enrolment ratio and bed occupancy ratio coupled with increase in no. of seat intake as projected for various courses leading to improvement in the operating income and profitability on a sustained basis
- Improvement in the capital structure with reduction in debt level and/or improvement in debt protection metrics



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### **Downward Factor**

- Dip in operating income and/or profitability due to decline in enrolment ratio impacting the debt protection metrics and liquidity profile

### **List of key rating drivers with detailed description**

#### **Key Rating Strengths**

##### ***Experienced Board of Trustee:***

Sri Rama education trust started its operations in the year 2003 and runs Maharaja's Institute of Medical Sciences (MIMS). The institute even runs an 850 bedded hospital. Dr. Alluri Murthy Raju, the founder of trust, was at the helm of the trust and institute until his bereavement in the month of August 2020. He was an industrialist, agriculturist, educationalist and philanthropist. He was also associated with A. S. R Public School, Araku Valley, Warangal Public School, Warangal, Alluri Institute of Management Sciences, Warangal & Kakathiya Institute of Technology and Sciences, Warangal. The Present Chairman of the Trust is Sri. Alluri Satyanarayana Raju, son of Late Sri Alluri Murthy Raju; he is supported by the other trustees and a team of qualified and experienced professionals in managing the day to day affairs of the trust.

##### ***State of art infrastructure with association of experienced faculties and reputed doctors:***

MIMS has the privilege of having a number of experienced faculty members, which is essential in building a strong brand name and attracting quality students. Further, the institute has modern infrastructure including furnished hostels for boys and girls, transport & canteen facilities and latest tools & technologies. The hospital has qualified and reputed doctors, research laboratories and well trained staff.

##### ***Almost 100% enrolment rates in educational institute:***

Enrolment rate depends upon available infrastructural facilities, composition of experienced faculties and brand image of the institution. As per management, SRET has maintained a 100% enrolment rate over the past 3-5 years in all its courses.



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### ***Stable Financial Position:***

The total income of the trust during FY19 stood at Rs.85.84 crore and in FY20 at Rs. 106.33 crore. Fees income from various courses offered by the institute, forms 80% of the revenue. EBITDA margin has also improved over last three years, from 15.20% in FY18 to 26.99% in FY20. The capital structure of the trust and debt protection metric have also improved. Overall gearing ratio has improved to 1.81x in FY20 from 6.48x in FY19. DSCR has increased to 4.91x in FY20 from 3.01 in FY19.

### ***Location Advantage:***

Situated at Nellimarla in Vizianagaram district of Andhra Pradesh, MIMS is the flag holder for such institute in the area.

### **Key Rating Weaknesses**

#### ***Modest small scale of operations:***

SRET has recorded considerable growth in scale of operations over the past three years with satisfactory enrolment rate in its institute and occupancy rate in its hospital. However, the scale of operation continues to be modest with revenue of Rs. 101.97 crore in FY20 provisional.

#### ***Limited brand image:***

MIMS offers a variety of courses and a wide range of facility in hospital; still it has a limited brand image unlike other more renowned universities & hospitals, due to which its ability is limited in attracting students and patients on pan-India basis. However, as per management, SRET has maintained a 100% enrolment rate over the past 3-5 years in all its courses

#### ***Susceptibility to regulatory risks:***

The education sector is highly regulated and compliance with specific operational and infrastructure norms set by regulatory bodies are important. Thus, regular investment in the workforce and infrastructure is needed to conduct the operations efficiently.



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### ***Reputational risk:***

All the healthcare providers need to monitor each case diligently and maintain high operating standard to avoid the occurrence of any unforeseen incident which can damage the reputation of the hospital & institute to a large extent.

### **Analytical Approach:** Standalone

### **Applicable Criteria:**

Rating Methodology for Service Sector Companies

Financial Ratios & Interpretation (Non-Financial Sector)

### **Liquidity: Adequate**

The liquidity of the Trust is expected to remain adequate, with current ratio at 2.29x for FY20(Provisional). The cash accruals of the Company are sufficient to service the debt obligations. The DSCR for FY20 (Provisional) is at 4.91x. The Company is having Cash, Bank Balances and Bank deposits of Rs. 1.86 Crs as on 31 March 2020 (Provisional).

### **About the Trust**

Sri Rama Educational Trust was established in the year 2000 by Dr. Alluri Murthy Raju. Under the management of the trust, Maharajah's Institute of Medical Sciences (MIMS) was established in year 2003. The institute is situated at Nellimarla in Vizianagaram district of Andhra Pradesh. The institute is spread across an area of more than 20 acres. It consists of two blocks of 1,10,000 sq feet and 90,000 sq feet exclusively for medical college. In addition, it has a 840 bedded hospital which occupies and area of 3,10,000 sq feet. It is the first and only Teaching Hospital of its kind in this area. When started, the college only an intake of 100 students for UG course (MBBS). From 2013-14, the capacity has been increased to 150 students. All PG Courses were started in 2009. The courses offered by the institute are MBBS, MD, MS, BHMS, BPT, MSC Nursing, GNM, BSC LT, MSC LT and many other Paramedical courses. The 850 bedded hospital has departments for Paediatrics, Pulmonary Medicine, Psychiatry, Dermatology, Orthopaedic, Ophthalmology, ENT, Dental, Obstetrics & Gynaecology among others.



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Financials (Standalone)

(Rs. crore)

For the year ended* / As On	31-03-2018 (Audited)	31-03-2019 (Audited)	31-03-2020 (Provisional)
Total Operating Income	64.19	80.80	101.97
EBITDA	9.76	17.20	27.52
PAT	1.00	10.10	20.84
Total Debt	72.44	77.43	59.49
Tangible Net Worth	11.96	11.96	32.80
<b>Ratios</b>			
EBITDA Margin (%)	15.20	21.28	26.99
PAT Margin (%)	1.54	11.76	19.60
Overall Gearing Ratio (x)	6.06	6.48	1.81

\*Classification as per Infomerics' standards

### Status of non-cooperation with previous CRA:

ICRA and Crisil vide its press release dated February 14, 2020 and October 29, 2020, respectively has informed that the issuer is not co-operating.

Any other information: N.A.

### Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1	Fund Based Bank Facilities – Proposed Term Loans	Long Term	45.00	IVR BB+/ Stable Outlook	--	--	--



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2	Fund Based Bank Facilities – Proposed Cash Credit	Long Term	20.00	IVR Stable Outlook	BB+/ --	--	--	--
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**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

### Name and Contact Details of the Rating Analyst:

Name: Ms. Fremi Shah

Tel: (022) 62396023

Email: [fremi.shah@infomerics.com](mailto:fremi.shah@infomerics.com)

Name: Mr. Amit Bhuwania

Tel: (022) 62396023

Email: [abhuaniania@infomerics.com](mailto:abhuaniania@infomerics.com)

### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Fund Based Bank Facilities – Proposed Term Loans	--	--	--	45.00	IVR BB+/ Stable Outlook
Fund Based Bank Facilities – Proposed Cash Credit	--	--	--	20.00	IVR BB+/ Stable Outlook