

Press Release

Shri Ram Raja Sarkar Lok Kalyan Trust (SRSLKT)

January 02, 2019

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Current Rating	Rating Action
1.	Fund Based Facilities-Overdraft	2.00	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	Reaffirmed
	Total	2.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating reaffirmation derives strength from the experience of the trustees, improvement in capital structure and comfortable debt protection metrics. However, these strengths are partially offset by a small scale of operations, geographical concentration of revenues, limited brand image of the institution, low student intake rate, constitution being a Trust, susceptibility to regulatory risks and capital intensive operations.

Key Rating Sensitivities

Upward Factors:

Substantial improvement in scale of operations, resulting from better percentage of intake of students.

Downward Factors:

Further decline in profitability and substantial deterioration in debt protection metrics.

List of key rating drivers with detailed description

Key Rating Strengths

Experience of the trustees

The Chairman of SRSLKT, Mr. Ramesh Kumar Agarwal has been associated with the trust since its inception and has an industry experience of around 38 years in fields like construction, educational consultancy etc. He is ably supported in carrying out the day-to-day operations of the trust by the managing trustees, Mr. Naresh Kumar Agarwal & Mr. Deepak Kumar Agarwal.

Improvement in capital structure and debt protection metrics

SRSLKT's overall gearing improved marginally from at 0.26x as on March 31, 2018 to 0.23x as on March 31, 2019. Further, its debt protection metrics also remained comfortable as reflected by interest coverage of 5.25x during FY19.

Key Rating Weakness

Susceptibility to regulatory risks and capital intensive operations

The education sector is a regulated sector and compliance with specific operational and infrastructure norms set by regulatory bodies, such as AICTE are essential. Thus regular investment in the workforce and infrastructure are needed and approvals have to be received even to set up new courses or increase the number of seats for any course. Further, the fee structure is also decided by the regulatory authorities.

Limited brand image, constraining its ability to attract students and faculty on pan-India basis

SRSLKT offers a variety of courses and moderate placement opportunities; still it has a limited brand image unlike other private-unaided and more renowned colleges, due to which it may not be able to attract students and faculty from outside its area of operations.

Small scale of operations and geographical concentration in revenue

SRSLKT's scale of operations continues to remain modest with a topline of Rs. 20.56 crore for the year ended March 2019. Further, all the revenues of the trust are generated from its institutions located at Datia, Madhya Pradesh leading to geographical concentration of revenue.

Low Student Intake Rate

The average student intake rate across all institutions managed by the trust remained low at 68% for FY19, owing to low student intake in engineering courses. Further, the average fee per student also remained low at around ~Rs.55,000 per student during FY19.

Constitution being a trust

The constitution of the entity being a trust results in a possibility of inadequate transparency in corporate governance. Also, the disclosure level with respect to financial statements is low.

Analytical Approach & Applicable Criteria

Standalone

Financial Ratios & Interpretation (Non-Financial Sector)

Rating Methodology for Service Sector Companies

Liquidity

The liquidity of the trust is Adequate as per the size of operations. The trust is highly reliant on corpus fund and avails only Rs.2.00 crore of OD facility for its working capital requirements, with ~99% utilization. Corpus Fund as on March 31, 2019 was Rs. 37.89 crore.

About the Company

Shri Ram Raja Sarkar Lok Kalyan Trust (SRSLKT) was incorporated on February 19, 2008 by taking over 5 institutes of Shri Rawatpura Sarkar Lok Kalyan Trust. Gradually the trust has expanded its scale of operations and at present operates 11 different institutes and one K-12 school which is affiliated to the Central Board of Secondary Education. All the institutes of the

trust are located at Datia, Madhya Pradesh which is a remote location close to the city of Jhansi. At present, the trust offers post-graduation courses in various fields ranging from engineering, management, pharmacy, nursing, polytechnic, physical education, science education, journalism etc. The day-to-day affairs of the trust are managed by Mr. Ramesh Kumar Agarwal along with two other trustees; Mr. Naresh Kumar Agarwal & Mr. Deepak Kumar Agarwal.

Financials
(Rs. crore)

For the year ended* / As On	31-03-2018 (Audited)	31-03-2019 (Audited)
Total Operating Income	22.28	20.56
EBITDA	6.09	3.90
PAT	2.62	2.30
Total Debt	9.43	8.80
Corpus Fund	36.67	37.89
EBITDA Margin (%)	27.33	18.96
PAT Margin (%)	10.19	4.16
Overall Gearing Ratio (x)	0.26	0.23

* Classification of financial numbers is as per Infomerics' standards

Status of non-cooperation with previous CRA: CRISIL in its press release dated January 31, 2019 has informed that CRISIL has migrated the rating on bank facilities of SRSLKT to "Issuer Not Cooperating" category.

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Long Term Fund Based Facilities- Overdraft	Long Term	2.00	IVR BB+/ Stable Outlook	IVR BB+/ Stable Outlook (September 28, 2018)	IVR BB/ Stable Outlook (November 16, 2017)	-
2.	Long Term Debt - Term Loan	Long Term	-	-	Withdrawn (September 28, 2018)	IVR BB/ Stable Outlook (November 16, 2017)	-

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.

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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
Long Term Fund Based Facilities - Overdraft	--	--	--	2.00	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)