

Press Release**Shri Ram Raja Sarkar Lok Kalyan Trust****November 16, 2017****Ratings**

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1	Long Term Debt- Term Loan (incl. proposed limits)	12.59	IVR BB/Stable Outlook (IVR Double B with Stable Outlook)
2	Fund Based Facilities- Overdraft (incl. proposed limits)	17.41	IVR BB/Stable Outlook (IVR Double B with Stable Outlook)
	Total	30.00	

Details of Facilities are in Annexure 1**Detailed Rationale**

The ratings take into account the liquidity stress reflected in full utilisation of working capital limits, susceptibility to regulatory risks, small scale of operations and geographical concentration. The ratings are further constrained by limited brand image of the institutions, low occupancy rate and delay in receipt of fees.

The ratings however, derive strength from the experience of the trustees, profitable nature of operations and comfortable financial position with moderate debt protection metrics.

Growth in scale of operations, liquidity management and profitability are the key rating sensitivities.

List of Key Rating Drivers

- Liquidity stress reflected in full utilization of working capital limits
- Susceptibility to regulatory risks
- Small scale of operations and geographical concentration.
- Limited brand image of the institutions
- Low occupancy rate
- Delay in receipt of fees
- Experience of Trustees
- Profitable nature of operations
- Comfortable financial position with moderate debt protection metrics

Detailed Description of Key Rating Drivers

Key Rating Weaknesses:

Liquidity Stress reflected in full utilization of working capital limits

The liquidity of the trust remains stressed with almost full utilization of its OD limits throughout the year. Further there have been few instances of overdrawals over the past 1 year.

Susceptibility to regulatory risks

The education sector is a highly regulated sector and compliance with specific operational and infrastructure norms set by regulatory bodies, such as the Medical Council of India & 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.

Small scale of operations and geographical concentration in revenue

SRSLKT's scale of operations continues to remain modest with a topline of Rs.22.01 crore for the year ended March 2017. Further, all the revenues of the trust are generated from its institutions located at Datia, Madhya Pradesh leading to geographical concentration of revenue.

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 privateunaided and more renowned colleges, due to which it may not be able to attract students and faculty from outside its area of operations.

Low Occupancy Rate

The average occupancy percentage across all its institutions during FY17 remained low owing to low occupancy in engineering courses; however seats for courses like nursing, pharmacy and B.Ed. were fully occupied. Further, the average fee per student also remains low at Rs.46,000 per student during FY17.

Delay in receipt of fees

SRSLKT has its campus located in Datia, a remote area in Madhya Pradesh, which is an economically backward location and is highly dependent on agriculture. Usually the students of the trust cannot afford to pay the fees for higher education in a single stroke for want of adequate funds, which may ultimately lead to some mismatch on the cash flows of the trust.

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 37 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.

Profitable Operations

SRSLKT's operations have been profitable over the last 3 years. During FY17, the trust reported an EBITDA of Rs.5.95 crore and PAT of Rs.1.92 crore.

Comfortable Financial Position with moderate debt protection metrics

SRSLKT's overall gearing and long-term debt equity ratio remained comfortable at 0.37x & 0.12x respectively as on March 31, 2017. Further, its debt protection metrics also remained comfortable as reflected by interest coverage of 3.53x during FY17.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Service Sector Companies

Financial Ratios & Interpretation (Non-financial Sector)

Default Recognition and Post-Default Curing Period

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 (Standalone)

(Rs. Crores)

For the year ended / As On	31-03-2016	31-03-2017
	Audited	Audited
Total Operating Income	20.48	20.42
EBITDA	5.47	5.95
PAT	1.08	1.92
Total Debt	15.94	12.45
Long Term Debt	7.30	4.06
Tangible Networth	31.58	33.96
EBITDA Margin (%)	26.71	29.14
PAT Margin (%)	5.28	9.43
Long Term Debt Equity Ratio (x)	0.23	0.12
Overall Gearing Ratio (x)	0.50	0.37

Classification as per Infomerics' standards

Status of non-cooperation with previous CRA:Not applicable

Any other information: Nil

Rating History for last three years:

S. No.	Name of Instrument/Facilities	Current Rating (Year 2017-18)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16	Date(s) & Rating(s) assigned in 2014-15
1.	Long-term Debt-Term Loan	Long Term	12.59 (incl. proposed limits of 10.00 crore)	IVR BB/ Stable Outlook (IVR Double B with Stable Outlook)	--	--	--
2.	Long Term fund-based facilities-Overdraft	Long Term	17.41 (incl. proposed limits of Rs.12.91 crore)	IVR BB/ Stable Outlook (IVR Double B with Stable Outlook)	--	--	--

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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. 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 Debt-Term Loan	--	--	March 31, 2019	12.59 (incl. proposed limits of 10.00 crore)	IVR BB/ Stable Outlook (IVR Double B with Stable Outlook)
Long Term fund-based facilities-Overdraft	--	--	--	17.41 (incl. proposed limits of Rs.12.91 crore)	IVR BB/ Stable Outlook (IVR Double B with Stable Outlook)