



Press Release

TKR Educational Society

Oct 19, 2023

Ratings

Instrument Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long/Short Term Bank Facilities	20.00	IVR BB/ (Stable) & IVR A4 (IVR Double B/ Stable / Single IVR Single A Four)	IVR BB/INC & A4/ (IVR Double B & A Four /Issuer Not Co-operating)	Re-affirmed and removed from Issuer Non-Co-operating	Simple
Total	20.00 (Rupees Twenty Crores Only)				

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has re-affirmed the Long/short-term rating of IVR BB (Stable) & IVR A4 for the bank loan facilities of TKR Educational Society (TKR) and removed from issuer not co-operating category.

The rating re-affirmed to the bank facilities of TKR Educational Society continue to drive comfort from an experienced board of trustees, satisfactory infrastructure with association of experienced faculties, and stable financial position. However, the ratings are challenged by modest scale of operations, limited brand image, and susceptibility to regulatory risks.

IVR has principally relied on the standalone audited financial results of TKR Educational Society upto 31 March 2023, projected financials for FY24, FY25 and FY26, and publicly available information/ clarifications provided by the company's management.



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Key Rating Sensitivities:

Upward Factors

- Significant growth in total income with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis.

Downward Factors

- The substantial decline in operating income and cash accrual, or sizeable capital expenditure weakens the financial risk profile, particularly liquidity.
- Significant deterioration in debt metrics.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced and qualified management:

TKR Education Society was established in 2001 under the dynamic Leadership of Sri Teelaga Krishna Reddy, Ex-MLA, Maheswaram Constituency, Ex-Mayor, Hyderabad Municipal Corporation, with a prime motto of educating the people who really deserve it. Sri Teegala Krishna Reddy, the Mayor of Hyderabad, is the founder chairman of TKR Educational Society and able to manage the society efficiently with a well-qualified trustees on board supported by experienced and qualified faculty and administration.

Comfortable financial risk profile:

The financial risk profile is comfortable as evidenced by moderate capital structure with a corpus fund of Rs. 26.01 Cr. in FY23. The leverage ratios stood comfortable with Long Term Debt/Equity ratio of 0.27x, O/G of 0.77x and TOL/TNW of 2.99x in FY23. The debt protection metrics is also comfortable with Interest coverage ratio of 2.15x/ Total debt / GCA of 3.20 years/ Long term debt/EBIDTA of 1.70x and DSCR of 4.28x in FY23. IVR believes that



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society will be able to sustain the comfortable financial risk profile in medium term in absence of any significant long term debt in the debt structure.

Moderate revenue and profitability margin

The total operating income of the society stood moderate at Rs.68.35 Cr. in FY22 registering a growth of ~28.35%. The profitability margins have improved and stood comfortable with an EBITDA margin of 5.98% and PAT margin of 1.35% in FY23. The improvement in margins is evidenced on account of increase in the total operating income and increase in the occupancy.

Key Rating Weaknesses

The current ratio of the society stood weak at 0.69x in FY23. The society have huge amount of salary arrears in current liabilities amounting to Rs. 49.34 Cr. which weakens their current ratio. As discussed with management, over the period the salaries got increased as per the norms but couldn't be paid due to paucity of funds. Besides, the Covid-19 pandemic had a cascading effect on the financials and part of the last year salaries also went into arrears. The management has decided to liquidate the arrears during the current academic year.

Analytical Approach: Standalone

Applicable Criteria :

[Rating Methodologies for Service Sector Entities](#)
[Financial Ratios & Interpretation Non- Financial Sector](#)
[Criteria for assigning rating outlook](#)

Liquidity – Adequate

The liquidity position is adequate marked by sufficient gross cash accruals of Rs. 6.24 Cr. in FY2023 as against minimal maturing obligation of Rs. 1.31 crores. The average utilization of working capital was moderate at ~83.03% for the last 12 months period ending June-2023, which give low cushion to



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the working capital requirement of the society. However, the current ratio stood at 0.69 times as on 31-Mar-2023 as compared to 0.64 times as on 31-Mar-2022 due to high current liabilities on account of salary arrears of Rs.49.34 crores as on 31-Mar-2023. IVR believes that the liquidity of the society is likely to remain adequate over the medium term in the absence of any significant debt repayment obligations.

About the Company

TKR Education Society was established in 2001 under the dynamic Leadership of Sri Teelaga Krishna Reddy, Ex-Mayor, Hyderabad Municipal Corporation, with a prime motto of educating the people who really deserve it. Sri Teegala Krishna Reddy, the Mayor of Hyderabad, is the founder chairman of TKR Educational Society.

The Institutions Established under this Society are:

- 1). TKR College of Engineering & Technology (2002)
- 2). TKR Institute of Management and Science (2003)
- 3). Teelaga Krishna Reddy Engineering College (2005)
- 4). Teelaga Krishna Reddy College of Pharmacy (2007)

Financials (Standalone):

For the year ended* As on	(Rs. crore)	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	53.21	68.35
EBITDA	-3.48	4.09
PAT	-4.99	0.98
Total Debt	13.89	19.99
Tangible Net worth*	25.07	26.01
EBITDA Margin (%)	-6.54%	5.98%
PAT Margin (%)	-8.85%	1.35%
Overall Gearing Ratio (x)	0.55x	0.77x

*as per Infomerics standards

Status of non-cooperation with previous CRA : Nil

Any other information: Nil



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Rating History for last three years:

Sl. No.	Name of Instrument / Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 Dated : July 29, 2022	Date(s) & Rating(s) assigned in 2021-22 Date : Nov 11, 2021	Date(s) & Rating(s) assigned in 2020-21
1.	Overdraft	Long/Short Term	20.00	IVR BB/ (Stable) & IVR A4 (IVR Double B/Stable/Single A Four)	IVR BB/INC & A4/ (IVR Double B & A Four /Issuer Not Co-operating)	IVR BB+/Stable (IVR Double B Plus with Stable outlook)	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.



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Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

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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/Short term Bank Facilities – Overdraft	-	-	-	20.00	IVR BB/ (Stable) & IVR A4

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-TKR-oct23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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