



Press Release

Sri Rama Educational Trust (SRET)

June 23, 2023

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities – Term Loan	64.21	IVR BBB-/ Stable (IVR Triple B Minus/ Stable Outlook)	Revised & Removed from ISSUER NOT COOPERATING Category	Simple
Long Term Bank Facilities – Overdraft	20.00	IVR BBB-/ Stable (IVR Triple B Minus/ Stable Outlook)	Revised & Removed from ISSUER NOT COOPERATING Category	Simple
	84.21 (Rupees Eighty-Four Crores and Twenty-One Lakhs Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating was migrated to ISSUER NOT COOPEARTING category as Sri Rama Educational Trust had not submitted all the required information for surveillance under the stipulated timelines. Subsequently, SRET has cooperated and provided the information leading to removal of the rating from ISSUER NOT COOPEARTING category. The revision in the long-term rating of the bank facilities of SRET reflects improvement in the overall financial performance in FY22 and FY23 (Prov).

Furthermore, the aforesaid rating continues to derive strength from an experience of the Trustees, satisfactory infrastructure & association with experienced faculties and reputed doctors, satisfactory enrolment rate, Sustenance of strong margin, moderate capital structure and debt protection metrics and location advantage of the medical college and hospital. However, these strengths are partially offset by a moderate scale of operations, susceptibility to regulatory risks and reputational risk, capital intensive nature of operation.



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Key Rating Sensitivities:

Upward Factors

- Improvement in enrolment ratio and bed occupancy ratio coupled with increase in no. of seat intake 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

Downward Factors

- Decline in the intake of students and/or negative change in government regulations leading to moderation in the operating income and/or dip in profitability impacting the liquidity.
- Deterioration in debt protection metrics with decline in interest coverage ratio. on a sustained basis.
- Any unplanned capex impacting the overall financial risk profile.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Board of Management:

Sri Rama Educational Trust started its operations in the year 2003 with Maharaja's Institute of Medical Sciences. The Institute even runs an 880 bedded Hospital. Dr. Alluri Satyanarayana Raju is at the helm of the trust and institute. 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.

Satisfactory 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.



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Satisfactory 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 MBBS course. The overall gross enrolment ratio was 82% in AY23.

Location Advantage:

Situated at Nellimarla in Vizianagaram district of Andhra Pradesh, Maharajah's Institute of Medical Sciences (MIMS) is the first and only Teaching Hospital of its kind in these areas.

Moderate capital structure and debt protection metrics:

The Capital structure stood moderate with a tangible net worth of Rs.78.09 Cr as on 31 Mar 2023 (P). The long-term debt majorly comprises of Term loan and unsecured loans. Overall Gearing and TOL/TNW stood comfortable at 0.72x and 0.97x respectively as on 31 Mar 2023 (P). Debt protection metrics stood comfortable with Interest coverage ratio of 8.05x and DSCR of 2.30x as on 31 Mar 2023 (P).

Positive demand outlook for education in India marked by significant demand for higher education.

The long-term demand outlook of the education industry remains favourable on the back of a significant demand-supply gap in the higher education space augurs well for the group. Further, demand for higher education is likely to improve in India on the back of rising awareness, increasing population and better affordability.

Key Rating Weaknesses

Susceptibility to regulatory risks

The education sector is highly regulated and compliance with specific operational and infrastructure norms set by regulatory bodies are important. Any regulatory changes that impact the flexibility of the Trust to fix fees for the management quota seats may adversely impact the revenue profile and cash accruals.



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Capital intensive nature of operation.

Education sector needs regular investment in the workforce and infrastructure to upgrade its facilities and to conduct the operations efficiently. Going ahead, the ability to distinguish among competition from other private colleges/universities and increasing the student base, any higher than anticipated capex and its funding pattern shall be the key rating sensitivities.

Intense competition

The Trust faces intense competition from both upcoming and established public and private players in the education sector, high level of regulation by the government (central and state) in the education sector and continuous need for capex for investment in infrastructure facilities. This puts pressure on attracting / retaining talented students and faculty.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Service Sector Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Criteria of assigning Rating Outlook](#)

Liquidity – Adequate

The liquidity position is adequate marked by sufficient gross cash accruals of Rs.28.41 Cr. in FY2023 (P). Further, the Trust has maintained a healthy cash balances of Rs.10.63 Cr. The average utilization of OD limit is 80% as per banker's feedback. The current ratio of the Trust remains adequate at 1.88 times as of 31 Mar 2023 (P). Operating cycle remains comfortable at 53 days in FY2023 (P). All these factors indicate an adequate degree of liquidity support to the Trust in meeting its near-term debt obligations.

About the Company

Sri Rama Educational Trust was established in the year 2000. 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



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90,000 sq feet exclusively for medical college. In addition, it has a 880 bedded hospital which occupies an area of 3,10,000 sq feet. When started in 2003-04, the college had 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 880 bedded hospital has departments for Paediatrics, Pulmonary Medicine, Psychiatry, Dermatology, Orthopaedic, Ophthalmology, ENT, Dental, Obstetrics & Gynaecology among others.

Financials (Standalone):

For the year ended* / As on	INR in Crores	
	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	103.45	116.21
EBITDA	34.62	32.44
PAT	22.97	23.01
Total Debt	59.31	58.50
Tangible Net worth (Adjusted)	56.40	78.09
EBIDTA Margin (%)	33.46	27.91
PAT Margin (%)	22.20	19.80
Overall Gearing ratio (X) (Adjusted)	0.99	0.72
DSCR (x)	2.65	2.30

**Classification as per infomerics' standards*

Status of non-cooperation with previous CRA: NA

Any other information: N.A.

Rating History for last three years:



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Sr. No.	Name of Instrument/ Facility	Current Rating (Year: 2023-24)				Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (PR dated May 22, 2023)	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22 (Feb 23, 2022)	Date(s) & Rating(s) assigned in 2020-21 (Nov 24, 2020)
1.	Fund Based Facilities-Term Loan	Long Term	64.21	IVR BBB-/ Stable	IVR BB+/ ISSUER NOT COOPERATING/ Stable	-	IVR BB+/ Stable	-
2.	Fund Based Facilities-Overdraft	Long Term	20.00	IVR BBB-/ Stable	IVR BB+/ ISSUER NOT COOPERATING/ Stable	-	IVR BB+/ Stable	-
3.	Fund Based Facilities-Proposed Term Loan	Long Term	0.00	-	-	-	-	IVR BB+/ Stable
4.	Fund Based Facilities-Proposed Cash credit	Long Term	0.00	-	-	-	-	IVR BB+/ Stable
Total			84.21					

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India



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registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

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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 Term Loans	-	-	-	64.21	IVR BBB-/Stable
Long Term Fund Based Facilities Overdraft	-	-	-	20.00	IVR BBB-/Stable

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

Annexure 3: Facility wise lender details



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<https://www.infomerics.com/admin/prfiles/Len-SriRama-jun23.pdf>

Annexure 4: Detailed explanation of covenants of the rated 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.

