



## Press Release

### Sri Rama Educational Trust (SRET)

February 23, 2022

#### Ratings

Facilities	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities – Term Loan	25.54	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	--	Assigned	Simple
Long Term Bank Facilities – Overdraft	20.00	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	--	Assigned	Simple
Long Term Bank Facilities- Proposed Term Loan	0.00 (Previously Rs.45.00 Crore)	--	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	Withdrawn**	Simple
Long Term Bank Facilities- Proposed Cash Credit	0.00 (Previously Rs.20.00 Crore)	--	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	Withdrawn*	Simple
<b>Total</b>	<b>45.54</b> (Rupees Forty- Five Crores and Fifty Four Lakhs Only)				

\*The proposed facility is being sanctioned vide sanction letter dated January 05, 2021

\*\* The proposed facility is being partly sanctioned vide sanction letter dated January 05, 2021.

For the balance amount the trust has not proceeded with the debt as envisaged.



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### **Details of Facilities are in Annexure 1**

#### **Detailed Rationale**

The rating assigned to the bank facilities of Sri Rama Educational Trust continues to derive strength from an experience of the Trustees, satisfactory infrastructure & association with experienced faculties and reputed doctors, improving enrolment rate, Sustenance of strong margin, improving 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, limited brand image of the college & hospital, susceptibility to regulatory risks and reputational risk.

#### **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**

- 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 Management:**

Sri Rama education trust started its operations in the year 2003 with Maharaja's Institute of Medical Sciences (MIMS). The institute even runs an 880 bedded hospital. Dr. Alluri Murthy Raju is at the helm of the trust and institute. He is an industrialist, agriculturist, educationalist and philanthropist. He is 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. 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.



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### **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.

### **Improving 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 85% in Academic year 21.

### **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.

### **Sustenance of strong margins:**

The profitability stood comfortable with an EBITDA margin of 38.78% and PAT margin 19.16% in FY21 as against EBITDA margin of 24.53% and PAT margin of 14.39% in FY20. Significant improvement is evidenced in profitability in FY21 on account of reduction in the employee and administrative cost during pandemic and PG fee write-off.

### **Improving capital structure and debt protection metrics:**

The Capital structure stood moderate with a tangible net worth of Rs.30.21 Cr as on 31 Mar 2021. The long-term debt majorly comprises of Term loan, unsecured loans and vehicle loan. As on 31 Mar 2021, unsecured loans stood at Rs.27.89 Crs. Leverage ratios stood moderate with Long Term Debt/Equity of 1.39, O/G of 2.28 and TOL/TNW of 2.97x as on 31 Mar 2021. Debt protection metrics stood comfortable on account of improvement in profitability with Interest coverage ratio of 4.72x, Total debt/GCA of 3.70x, Long term debt/EBIDTA of 1.44x and DSCR of 2.51x as on 31 Mar 2021.



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### **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.

#### **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.

#### **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.



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**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Service Sector Companies](#)

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

### **Liquidity – Adequate**

The liquidity position is adequate marked by sufficient gross cash accruals of Rs.18.63 Cr. in FY2021 as against maturing obligation. Further, the Trust has maintained a healthy cash balances of Rs.6.60 Cr. The average utilization of fund based working capital limits was around 65% during the last twelve months ended January 2022. The current ratio of the society remains adequate at 1.30 times as of 31 Mar 2021. All these factors indicate an adequate degree of liquidity support to the Society in meeting its near-term debt obligations.

### **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 an area of 3,10,000 sq feet. 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.



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### Financials (Standalone):

(INR Crore)

For the year ended* As on	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	108.42	75.43
EBITDA	26.60	29.26
PAT	15.60	14.46
Total Debt	76.80	68.92
Tangible Net Worth	15.76	30.21
EBITDA Margin (%)	24.53	38.78
PAT Margin (%)	14.39	19.16
Overall Gearing Ratio (x)	4.87	2.28

\* Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** ICRA and vide its press release dated May 19, 2021 continued to classify the rating into issuer not co-operating category

**Any other information:** NA

### Rating History for last three years:

Sr. No.	Name of Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (November 24 <sup>th</sup> , 2020)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Fund Based Facilities- Term Loan	Long Term	25.54	IVR BB+/Stable	--	--	--
2.	Fund Based Facilities- Overdraft	Long Term	20.00	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	--	--

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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 Fund Based Facilities Term Loans	-	-	-	25.54	IVR BB+/Stable
Long Term Fund Based Facilities Overdraft	-	-	-	20.00	IVR BB+/Stable

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

### Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Sri-Rama-Educational-lenders-feb22.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](http://www.infomerics.com).