



Infomerics Valuation And Rating Pvt. Ltd.

Press Release

Shri Ram Raja Sarkar Lok Kalyan Trust

September 28, 2018

Ratings

Instrument/Facility	Amount (Rs. Crore)	Rating Assigned	Rating Action
Fund Based Facilities- Overdraft	2.00 (amount reduced from Rs.4.50 crore)	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	Revised from IVR BB/Stable Outlook (IVR Double B with Stable Outlook)

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the rating factors in the continued improvement in capital structure and debt protection metrics of the Trust. The ratings derive strength from the experience of the trustees and profitable nature of operations of the Trust. . The ratings are constrained by small scale of operations, geographical concentration of revenues, limited brand image of the institution, low student intake, constitution being a Trust, susceptibility to regulatory risks and capital intensive operations. Growth in scale of operations and profitability are the key rating sensitivities.

List of Key Rating Drivers

- Improvement in capital structure and debt protection metrics
- Experience of the trustees
- Profitable Operations
- Limited brand image, constraining its ability to attract students and faculty on pan-India basis
- Small scale of operations and geographical concentration in revenue
- Low Student Intake Rate
- Constitution being a trust
- Capital intensive nature of operations
- Susceptibility to regulatory risks

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Detailed Description of Key Rating Drivers

Key Rating Strengths

Improvement in capital structure and debt protection metrics

SRSLKT's overall gearing and long-term debt equity ratio improved from at 0.37x & 0.12x respectively as on March 31, 2017 to 0.26x & 0.05x respectively as on March 31, 2018. Further, its debt protection metrics also remained comfortable as reflected by interest coverage of 2.86x during FY18.

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.

Profitable Operations

SRSLKT's operations have been profitable over the last 4 years. During FY18, the trust reported an EBITDA of Rs.6.11 crore and PAT of Rs.2.27 crore.

Key Rating Weaknesses

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.23.4 crore for the year ended March 2018. Further, all the revenues of the trust are generated from its institutions located at Datia, Madhya Pradesh leading to geographical concentration of revenue.



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Low Student Intake Rate

The average student intake rate across all institutions managed by the trust remained low at 58% for FY18, owing to low student intake in engineering courses. Though, the student intake rate for FY19 has improved significantly to 87%. Further, the average fee per student also remained low at around Rs.58,000 per student during FY18.

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.

Capital intensive nature of operations and susceptibility to regulatory risks

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.

Analytical Approach & 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.

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Financials (Standalone)

(Rs. Crores)

For the year ended / As On	31-03-2017	31-03-2018
	Audited	Audited
Total Operating Income	20.42	22.3
EBITDA	5.95	6.1
PAT	1.92	2.3
Total Debt	12.45	9.4
Long Term Debt	4.06	4.6
Tangible Networkth	33.96	36.7
Ratios (%)		
EBITDA Margin (%)	29.14	27.34
PAT Margin (%)	9.43	10.18
Long Term Debt Equity Ratio (x)	0.12	0.13
Overall Gearing Ratio (x)	0.37	0.26

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 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Long Term fund-based facilities-Overdraft	Long Term	2.00 (reduced from Rs.4.50 crore)	IVR BB+/Stable Outlook	IVR BB/Stable Outlook (November 16, 2017)	--	--
2.	Long-term Debt- Term Loan	Long Term	2.59	Withdrawn	IVR BB/Stable Outlook (November 16, 2017)	--	--



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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.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

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)