

**September 10, 2015**

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	8.00	SMERA BB+/Stable (Assigned)
Term Loan	7.00	SMERA BB+/Stable (Assigned)
Proposed Term Loan	8.00	SMERA BB+/Stable (Assigned)

SMERA has assigned long-term rating of '**SMERA BB+**' (read as **SMERA double B plus**) to the above mentioned bank facilities of Raj Educational Trust (RET). The outlook is '**Stable**'.

The rating derives comfort from the extensive experience of the management in the education sector and moderate financial risk profile marked by comfortable debt protection metrics. However, the ratings are constrained by risks related to trust's debt funded capex plan and exposure to intense competition in the education sector.

Outlook: Stable

SMERA believes that the company would continue to benefit from its experienced management and structured repayment schedule. The outlook may be revised to 'Positive' in case of healthy increase in cash accruals with increase in scaling up of operations. However, the outlook may be revised to 'Negative' in case of stressed liquidity arising out of delays in capex completion resulting in deterioration of financial profile.

Rating Sensitivity Factors

- Successful implementation of capex
- Scalability of operations

About the Company

RET, is a Tamil Nadu based educational trust established in 2001. The trust runs an engineering college in Pudukottai (Tamil Nadu) offering courses (Under Graduate and Post Graduate). The day to day operations of the trust are managed by Ms. Sharmila (CFO) and Mr. T.R.S. Muthu Kumar (CEO).

RET reported surplus of Rs.0.50 crore on income of Rs.16.79 crore in FY 2013-14 as against surplus of Rs.0.47 crore on income of Rs.15.03 crore in FY 2012-13.

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SMERA RATINGS LIMITED

Raj Educational Trust (RET)

*Rating
Rationale*

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