



SMERA RATINGS LIMITED

Ch. Lekh Raj Educational and Charitable Trust (CLRECT)

*Rating
Rationale*

February 24, 2016

Facility	Amount (Rs. Crore)	Rating
Term Loan	40.00	SMERA BB-/Stable (Assigned)
Overdraft	5.00	SMERA BB-/Stable (Assigned)
Term Loan (Proposed)	10.00	SMERA BB-/Stable (Assigned)

SMERA has assigned a rating of '**SMERA BB-**' (read as **SMERA double B minus**) to the Rs.55.00 crore long-term (fund based) bank facility of Ch. Lekh Raj Educational and Charitable Trust (CLRECT). The outlook is '**Stable**'. The rating is supported by the trust's experienced management and brand value in Yamuna Nagar, Haryana. However, the rating is constrained by the trust's small scale of operations, weak financial risk profile, geographical concentration risk and the intensely competitive education sector.

Outlook: Stable

SMERA believes CLRECT will maintain a stable business risk profile over the medium term. The outlook may be revised to 'Positive' in case the trust registers significant growth in scale of operations while achieving sustained improvement in financial risk profile. The outlook may be revised to 'Negative' in case of lower than expected cash accruals or deterioration in the trust's financial profile on account of large debt-funded capital expenditure.

Rating sensitivity factors

- Occupancy level
- Scale of operations
- Timely servicing of interest and principal repayment of term loan

About the Trust

CLRECT was established in 2007 by Mr. Rajinder Kumar, with the aim of imparting education in the medical, engineering, management and information technology fields through its educational institutes at Yamuna Nagar, Haryana.

CLRECT reported a surplus of Rs.0.83 crore on total income of Rs.36.23 crore for FY2014-15 as against a loss of Rs.8.07 crore on total income of Rs.25.24 crore for FY2013-14. The net worth of the trust stood at Rs.40.93 crore as on March 31, 2015 as compared with Rs.5.11 crore a year earlier.

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