

Sri Saikrishna Charitable Trust: Assigned

Facility	Amount (Rs Crore)	Rating/Outlook
Term Loan	10.00	SMERA B/Stable (Assigned)

SMERA has assigned long term rating of '**SMERA B**' (**read as SMERA B**) on the Rs.10.00 crore bank facility of Sri Saikrishna Charitable Trust (SSKCT). The outlook is '**Stable**'.

The rating draws support from the experienced management and consistent increase in student strength. However, the rating is constrained by the small scale of operations, weak financial risk profile and exposure to intense competition in the education industry.

SSKCT manages and runs the Shantha Group of Institutions. The trust benefits from its experienced management. The promoters, Dr. K. R. Sudhakar have around a decades experience in the education industry. SMERA also notes that the trust has reported consistent increase in student strength from 762 in FY2014-15 to 884 in FY2016-17.

However, the trust's financial risk profile reflects weak operating margin of 1.79 per cent in FY2014-15 as compared to 22.34 per cent in FY2013-14. The interest coverage ratio stood at 0.21 times in FY2014-15 as against 3.11 times in FY2013-14. The trust reported healthy gearing of 0.24 times as on FY2014-15 as compared to 0.17 times in FY2013-14 and net profit margin of (23.62) per cent in FY2014-15 as compared to (3.02) per cent a year earlier. Also, the trust faces intense competition in the education industry.

Outlook-Stable

SMERA believes that the outlook on SSKCT's rated facility will remain stable over the medium term on account of its experienced management. The outlook may be revised to 'Positive' if the trust achieves better than expected growth in revenues and student strength. Conversely, the outlook may be revised to 'Negative' in case of decline in profitability or deterioration of the capital structure.

Rating Sensitivity Factors

- Timely servicing of debt
- Increase in student enrolment
- Improvement in the financial risk profile

About the Trust

The Bangalore-based SSKCT, is a non-profitable trust established in 2008. The trust, headed by Dr.K. R. Sudhakar carries out social welfare activities including woman empowerment, rural development and imparts education to the financially weaker students. The trust also runs a school and a college under the name, Shantha Vidyaniketan.

For FY2014-15, the trust reported net loss of Rs.0.63 crore on total income of Rs.2.66 crore as against net loss of Rs.0.05 crore on total income of Rs.1.56 crore a year earlier. The net worth stood at Rs.7.02 crore as on March 31, 2015, as compared with Rs.5.24 crore a year earlier. In FY2015-16 (provisional), the trust reported operating income of Rs.3.16 crore.

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ABOUT SMERA

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