

### V. P. Muthaiah Pillai Meenakshi Ammal Trust: Assigned

Facility	Amount (Rs. Crore)	Rating/Outlook
Term Loan	29.70	SMERA BB/Stable (Assigned)

SMERA has assigned rating of '**SMERA BB**' (read as **SMERA double B**) on the above mentioned bank facility of V. P. Muthaiah Pillai Meenakshi Ammal Trust (Muthaiah Pillai Trust). The outlook is '**Stable**'.

The rating draws comfort from the long track record of operations, qualified and experienced management and healthy business and financial risk profile. However, the rating is constrained by the modest scale of operations, declining profit margins and intense competition in the highly regulated education sector.

Muthaiah Pillai Trust, established in 1993, is a Tamil Nadu-based educational trust that offers a range of courses in streams including engineering, management, nursing and arts through its eight colleges. The trust was founded by Dr. V. P. M. Shankar, Chairman. The governing council includes Mr. V.P.M.S. Thangaprabhu MBA, GG (USA), Vice Chairman, Smt. Palaniselvi Sankar, Secretary and others who possess extensive experience in education.

The healthy financial risk profile is reflected in the gearing that registered improvement to 0.03 times as on March 31, 2016 from 0.13 times as on March 31, 2015. The interest coverage ratio stands healthy at 8.35 times in FY2016 compared to 7.86 times in FY2015. The trust plans to renovate its existing building at a cost of Rs.49.15 crore to be funded through a term loan of Rs.29.70 crore and donations of Rs.19.45 crore. Construction commenced in November 2016 and is expected to be completed by February 2017. Notwithstanding the benefits, the project is likely to have negligible impact on the financial risk profile of the trust. The net cash accruals are healthy at Rs.4.08 crore in FY2016.

The fee income has increased to Rs.17.95 crore in FY2016 as against Rs.16.46 crore in FY2015. The operating margin declined to 25.78 percent in FY2016 as against 43.62 percent in FY2015 on account of increase in expenditure with the introduction of an architecture course in 2016. The PAT margin also declined to 9.36 percent in FY2016 from 22.09 percent in FY2015.

Further, the trust faces intense competition from other private institutions offering similar courses.

#### Rating Sensitivity Factors

- Increase in sanctioned intake
- Growth in scale of operations
- Debt funded capex
- Improvement in operating margins

#### Outlook: Stable

SMERA believes that Muthaiah Pillai Trust will benefit from its established track record of operations. The outlook may be revised to 'Positive' if the trust increases its scale of operations with increase in fee receipts or intake and registers improvement in operating profitability as also coverage indicators. Conversely, the outlook may be revised to 'Negative' if the trust fails to achieve scalability and profitability amidst intensifying competition in its area of operation or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded capex.

### About the Trust

Muthaiah Pillai Trust was established in 1993 by Dr. V.P.M. Sankar, Chairman and others. The trust has eight institutions with over 6000 students in the campus spread across 200 acres. The day-to-day operations are managed by Dr.V.P.M Sankar.

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For FY2015-16, the trust registered surplus of Rs.1.68 crore on operating income of Rs.17.95 crore as compared to Rs.3.64 crore on operating income of Rs.16.46 crore for FY2014-15.

### Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: <a href="mailto:mohit.jain@smera.in">mohit.jain@smera.in</a>	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: <a href="mailto:suman.m@smera.in">suman.m@smera.in</a>

### ABOUT SMERA

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