

Chockalingapuram Devangar Varthagar Sangam: Assigned

Facility	Amount (Rs Crore)	Rating/Outlook
Term Loan I	1.62	SMERA B+/Stable (Assigned)
Term Loan II	10.00	SMERA B+/Stable (Assigned)
Term Loan (Proposed)	0.41	SMERA B+/Stable (Assigned)

SMERA has assigned rating of '**SMERA B+**' (**read as SMERA B plus**) to the Rs.12.03 crore bank facilities of Chockalingapuram Devangar Varthagar Sangam (CDVS). The outlook is '**Stable**'.

The rating is supported by the established track record of operations and experienced management. However, the rating is constrained by the intense competition in the education industry, stringent regulatory framework in India and the moderate scale of operations.

CDVS, founded in 1919, is a non-profit trust registered under the Tamil Nadu Societies Registration Act of 1975. The trust runs a convent school and two colleges at Aruppukottai, near Madurai, Tamil Nadu (Sri Sowdambika Polytechnic College established in 1984-1985; Sri Sowdambika Convent Matriculation School set up in 1986-1987 and Sree Sowdambika College of Engineering established in 2000-2001). The school offers education from standard 1 to standard 12 while the colleges offer a range of diploma and degree courses in Civil, Electrical and Computer engineering. The President, Mr.M.Mallaiyan, possesses extensive experience in managing educational institutions.

However, the trust faces geographic concentration risk since its operations are limited to a single location - Aruppukottai. It also faces intense competition from local colleges offering similar courses affecting revenue and optimisation of student intake capacity. The operations are modest evident from the revenue of Rs.13.07 crore for FY2015-16 as compared to Rs.12.87 crore for FY2014-15.

Rating Sensitivity Factors

- Increase in sanctioned intake
- Growth in scale of operations
- Positive operating and profit margins

Outlook-Stable

SMERA believes that CDVS will maintain a stable outlook and benefit from its long track record of operations in the education industry in Tamil Nadu. The outlook may be revised to 'Positive' if the scale of operations increases on the back of increase in fee receipts while maintaining its operating profitability and coverage indicators. Conversely, the outlook may be revised to 'Negative' if it fails to achieve scalability amidst intensifying competition in its area of operation or if its financial risk profile deteriorates owing to higher-than-expected increase in debt-funded capital expansion.

About the Trust

CDVS, founded in 1919, manages three educational institutes - Sri Sowdambika Convent Matriculation School, Sree Sowdambika College of Engineering, Sri Sowdambika Polytechnic College. The school offers education from standard 1 to 12 while the colleges offer a range of courses including Civil Engineering, Computer Science Engineering and Mechanical Engineering to name a few.

For FY2015-16, CDVS reported loss of Rs.1.91 crore on operating income of Rs.13.07 crore, as compared with loss of Rs. 1.57 crore on operating income of Rs.12.87 crore in FY2014-15.

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ABOUT SMERA

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