

Press Release

CHOCKALINGAPURAM DEVANGAR VARTHAGAR SANGAM

December 05, 2017



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 12.03 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA B+**' (**read as SMERA B plus**) on the Rs. 12.03 crore bank facilities of CHOCKALINGAPURAM DEVANGAR VARTHAGAR SANGAM. The outlook is '**Stable**'.

Chockalingapuram Devangar Varthagar Sangam (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. 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.

Key Rating Drivers

Strengths

- **Established trackrecord**

Founded in 1919, the trust has long track record of operations. It is led by Mr M.Mallaiyan, President, Mr. K.S.S.Kamatchi Chetty, Vice President, Mr. B.Ravi Babu and others with extensive experience in managing educational institutions.

- **Range of courses**

The trust offers a range of diploma and degree courses including civil, electrical and computers apart from managing a school offering education from standard 1 to standard 12.

- **Receipt of donations**

The trust received donation of Rs. 6.43 crore as on 31 March, 2017 (Provisional) as against Rs.3.07 crore as on 31 March, 2016. The total tangible networth stood at Rs.23.36 crore as on 31 March, 2017 (Provisional) as against Rs.23.43 crore in the previous year. The total debt stood at Rs.9.14 crore as on 31 March, 2017 (Provisional) which mainly consists of long term loan of Rs.8.63 crore and short term loan of Rs. 0.51 crore as on 31 March, 2017 (Provisional).

Weaknesses

- **Intense competition, limited growth**

The trust is exposed to geographic concentration risk since it has operations only in one location - Aruppukottai. Further, it faces intense competition from other colleges in the locality offering similar courses. Also, its ability to attract requisite students in tune with its sanctioned intake would be a challenge.

- **Stringent regulatory framework**

CDVS is exposed to the stringent regulatory framework for the educational sector in India.

- **Modest revenue**

The trust registered modest revenue of Rs. 12.50 crore for FY2016-17 (Provisional) as against Rs.13.36 crore for FY2015-16. The decline in revenue was mainly on account of fall in admissions for engineering during the period. Going forward, the revenue is expected to increase on account of the debt funded capex. Also, the trust has started a convent school from FY2017-18 with an intake of 2300 students.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of CDVS to arrive at the rating.

Outlook: Stable

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

About the Rated Entity - Key Financials

For FY2015-16, CDVS reported net loss of Rs.1.91 crore on operating income of Rs.13.36 crore, compared to net loss of Rs.1.57 crore on operating income of Rs.13.04 crore in the previous year. As per provisional financials for FY2016-17, the trust reported net loss of Rs.3.44 crore on operating income of Rs.12.50 crore. The net worth stood at Rs.23.36 crore as on 31 March, 2017 compared to Rs.23.43 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>
- Entities In Services Sector - <https://www.smerra.in/criteria-services.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
30-Sep-2016	Term Loan	Long Term	INR 1.62	SMERA B+ / Stable
	Term Loan	Long Term	INR 10	SMERA B+ / Stable
	Proposed Long Term Loan	Long Term	INR 0.41	SMERA B+ / Stable

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	1.62	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA B+ / Stable
Proposed	Not Applicable	Not	Not	0.41	SMERA B+ / Stable

	Applicable	Applicable	
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ABOUT SMERA

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