

Press Release

Theni Kammavar Sangam (TKS)

March 29, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs.6.30 Crore.
Long Term Rating	SMERA BB+/ Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB+**' (read as SMERA double B plus) to the Rs. 6.30 crore bank facilities of Theni Kammavar Sangam. The outlook is '**Stable**'.

Theni Kammavar Sangam (TKS), a trust established in 1972 has been running nine educational institutions including Theni Kammavar Sangam College of Arts and Science, Theni Kammavar Sangam College of Technology and Theni Kammavar Sangam Polytechnic College for over three decades. The student strength stands at ~4,000.

Key rating drivers

Strengths

Established track record, range of courses offered

TKS has been in existence for four decades. The trust offers courses for undergraduate and post graduate students and also runs public schools.

Experienced management

TKS is headed by Mr. S. Numperumal, the President who has around 12 years of experience in the industry. He is joined by the council members Mr. Padmabhusan R. Varadharajaperumal, Dr. P. Surulinarayanasamy, Mr. R. Varatharajulu among others.

Healthy financial risk profile

The healthy financial risk profile is marked by high net worth, low gearing and comfortable debt protection measures. The net worth stood at Rs. 60.16 crore as on 31 March, 2017 as compared to Rs. 54.90 crore in the previous year. The gearing has been low at 0.14 times in FY2017 compared to 0.22 times in FY2016. The society has long term debt of Rs.8.41 crore. The Interest Coverage levels increased to 4.89 times in FY2017 from 4.85 times in FY2016. The Net Cash Accruals to Total Debt (NCA/TD) stood at 0.60 times in FY2017 and 0.40 times in FY2016.

Weaknesses

Stagnant revenue profile

The operating income remained stagnant at ~Rs. 23 crore over the years with declining placement opportunities for professional courses. However, the operating margin stood at 26.90 percent in FY2017 and 25.12 percent in FY2016.

Intense competition, regulatory framework

The trust is exposed to intense competition from other educational institutions in and around Tamil Nadu and risks arising from unfavourable changes in regulations from time to time.

Analytical approach

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

Outlook – Stable

SMERA believes that TKS will maintain a Stable outlook over the medium term owing to its 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 operations.

About the rated entity Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	23.23	23.06	23.65
EBITDA	Rs. Cr.	6.25	5.79	6.25
PAT	Rs. Cr.	5.09	4.95	4.50
EBITDA Margin (%)	(%)	26.90	25.12	26.42
PAT Margin (%)	(%)	21.90	21.45	19.05
ROCE (%)	(%)	9.42	9.42	20.15
Total Debt/Tangible Net Worth	Times	0.14	0.22	0.31
PBDIT/Interest	Times	4.89	4.85	3.18
Total Debt/PBDIT	Times	1.32	1.97	2.36
Gross Current Assets (Days)	Days	69	56	59

Any other information:

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

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

Not Applicable.

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	3.30	SMERA BB+/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BB+/Stable (Assigned)

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ABOUT SMERA

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