

Press Release

Swamidoss Kalyaniammal Educational Trust

September 17, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 7.10 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.7.10 crore bank facilities of Swamidoss Kalyaniammal Educational Trust. The outlook is '**Stable**'.

Swamidoss Kalyaniammal Education Trust (SKET) was established in 2012 by Mr. Jeggadish. The trust runs and operates 'VSR International School' spread over an area of 5.42 acres in Tirunelveli (Tamil Nadu). VSR International School is a CBSE affiliated school for pre-kindergarten to standard XII. The school began its first academic year in FY2014-15.

Key Rating Drivers

Strengths

- **Healthy student strength and residential facility for students**

The school commenced its first academic year in 2014-15. The trust has achieved ~75 percent admissions of its sanctioned strength of 1350 students for the academic year 2018-19. Further, the school has hostel facility for ~400 students. It offers a wide range of extra-curricular activities. Acuite believes that the extra facilities offered by the school will attract a wide range of students from the vicinity.

- **Healthy financial risk profile albeit a modest net worth base**

SKET has healthy financial risk profile marked by modest tangible net worth of Rs.7.41 crore as on 31 March, 2018 (Provisional) as against Rs. 3.51 crore as on 31 March, 2017 and Rs.1.71 crore as on 31 March, 2016. The school has low debt to equity ratio of 0.57 times as on 31 March, 2018 (Provisional) as against 1.04 times as on 31 March, 2017. The debt of Rs.4.24 crore mainly consists of term loans of Rs.2.30 crore and unsecured loans of Rs. 1.94 crore as on 31 March, 2018 (Provisional). Interest Coverage Ratio (ICR) stood healthy at 9.91 times for FY2018 (Provisional) as against 4.92 times for FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.95 times as on 31 March, 2018 (Provisional) as against 0.49 times as on 31 March, 2017. Going forward, Acuite expects the financial risk profile to be impacted marginally in the medium term due debt funded capex plans.

Weaknesses

- **Project implementation risk**

SKET is expanding its capacity from 1350 students to 2850 students. The total estimated cost of this project is Rs.8.00 crore. The project funding includes term loan of Rs.5.00 crore and balance by corpus donations and trustee contributions. The project work has been initiated and is expected to commence its operations from FY2020; any delay would impact the debt servicing ability of the trust.

- **Small scale of operations and low track record of operation**

The school started its first academic year from 2014-2015, hence low track record of operations. The scale of operations of the trust are also small, it reported receipts of Rs.6.72 crore in FY2018 (Provisional) as against Rs.4.55 crore in FY2017. The same has grown at a CAGR of 84.60 percent during FY2015-18. The main reason for increase in fee receipts is the increase in student intake.

• Stringent regulations of the educational sector in India

The trust is subject to the stringent regulatory framework for the educational sector in India.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of SKET to arrive at this rating.

Outlook: Stable

Acuite believes that SKET will maintain a 'Stable' outlook over the medium term from its student strength, location advantage and healthy financial risk profile. The outlook may be revised to 'Positive' if the trust's scale of operations increases substantially resulting in improved accruals. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve the expected revenue or undertakes more than expected debt funded capex, deteriorating the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	6.72	4.55	2.88
EBITDA	Rs. Cr.	4.47	2.25	1.35
PAT	Rs. Cr.	4.02	1.80	0.94
EBITDA Margin	(%)	66.56	49.59	46.78
PAT Margin	(%)	59.85	39.51	32.64
ROCE	(%)	47.57	35.05	25.24
Total Debt/Tangible Net Worth	Times	0.57	1.04	2.34
PBDIT/Interest	Times	9.91	4.92	3.31
Total Debt/PBDIT	Times	0.95	1.62	2.97
Gross Current Assets (Days)	Days	3	3	6

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>

Note on complexity levels of the rated instrument

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

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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.10	ACUITE BBB-/Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB-/Stable (Assigned)

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Head – Corporate and Infrastructure Sector Tel: 022-67141191 aditya.gupta@acuite.in</p> <p>Salome Farren Analyst - Rating Operations Tel: 022-67141164 salome.farren@acuite.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.