

Press Release

SRI BALAJI CHARITABLE AND EDUCATIONAL TRUST

June 04, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 3.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned the long term rating of **'ACUITE BB' (read as ACUITE double B)** to the Rs.3.00 crore bank facilities of SRI BALAJI CHARITABLE AND EDUCATIONAL TRUST (SBCET). The outlook is **'Stable'**.

Chennai based, Sri Balaji Charitable and Educational Trust was established in 1998 by Mr. R N Jayaprakash and Mr. S. Dhilip Kumar, with the development of Agni College of Technology. The college provides educational courses in the field of engineering. Currently the college offers 10 Under-graduate and 4 Post-graduate engineering courses. The college is approved by AICTE, New Delhi, affiliated to Anna University Chennai and accredited by National Board of Accreditation, New Delhi with an ISO 9001:2008 Certificate.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of SBCET to arrive at the rating.

Key Rating Drivers

Strengths

• Established track record of operations along with experienced management

Agni College of Technology (ACT), located in Chennai was established in 2001 by Sri Balaji Charitable and Educational Trust. College has been promoted by Mr. R N Jayaprakash and Mr. S. Dhilip Kumar who have been associated with the field of education for over two decades. ACT is headed by Dr. R. S. Kumar (M. Tech, Ph.D), Dr. Srinivasan Alavandar (M.E, Ph.D IITR) and Dr. Sivakumar R (M.E, Ph.d). Faculty of the college comprises of professionals in their respective fields. The college offers 10 Under-graduate and 4 Post-graduate engineering courses. Long track record of the college along with extensive experience of the management has helped them attract many reputed companies during the years in their placement portfolios.

• Moderate financial risk profile

The financial risk profile of SBCET is marked by healthy net worth, moderate debt protection measures and low gearing. The net worth stood at Rs.28.99 crore as on 31 March, 2018 as against Rs.22.44 crore in the previous year. The trust's gearing stood moderate at 1.36 times as on 31 March, 2018 as against 1.49 times in the previous year. The trust has followed an aggressive financial policy in the past as reflected by its peak gearing of around 2.53 times as on March 31, 2016. However, the gearing has moderated to around 1.36 times as on March 31, 2018. The total debt of Rs.39.57 crore consists of long term loan worth Rs.11.08 crore from the banks, Rs.2.86 crore of unsecured loans from friends and relatives, Rs.6.67 crore of short term working capital borrowings and Rs.18.96 crore of loans from its affiliates. The trust generated net cash accruals of Rs.22.37 crore during 2016-18. The interest coverage ratio stood at 3.26 times in FY2018 as against 3.99 times in the previous year. TOL/TNW ratio stood at 1.42 times in FY2018. Acuite believes that strong accruals during FY2016-18 has helped the trust maintain a comfortable financial profile and incur routine capital expenditure.

• Increasing demand prospects for education industry

Lately, there has been a thrust on education by both the state and central governments. The private sector is playing a significant role in the education sector especially professional education in the country. With popularization of private self-financing colleges and deemed universities, the role of the private sector in education has been accepted and recognised. Educational outcomes are one of the key areas influenced by family incomes. Increasing urbanisation with increasing income levels will demand quality education resulting in improving occupancies in reputed schools and colleges. The quality of the education becomes an important factor and the effectiveness of education depends

on qualitative variables such as characteristics of schools, teachers and classrooms. Acuite believes that private institutions are likely to witness healthy student enrolment over the medium term due to increase in importance of education.

Weaknesses

• Intense competition and stringent regulatory framework for the education sector in India

The institutes of the trust are affiliated to Anna University. Various agencies such as the University Grants Commission (UGC), National Assessment and Accreditation Council (NAAC), All India Council for Technical Education (AICTE), National Council for Teacher Education (NCTE) under the State and Central government prescribe regulatory framework depending on the professional courses offered. The institutes face competition from other private institutions offering similar courses as evinced during FY2019 where the college has faced a drop in its student intake on account of first time adoption of online admission process in Chennai. Given the competition, the ability of the institutes like ACT to attract requisite students in tune with its actual capacity would be a challenge. This is expected to limit the trust's capability to increase fee along with the increase of occupancy. Hence, the trust is subject to the stringent regulatory framework of the education sector in India.

Liquidity Position

SBCET's liquidity position remains adequate against its debt repayment obligations. However, the working capital limits remain fully utilized during the year in spite of the college charging 100 per cent fees in advance. There has been a decline in the student intake during FY2019 on account of changes in the admission process. Acuite believes that continuous support from the affiliates will help the trust in maintaining its liquidity profile.

Outlook: Stable

Acuite believes that the Trust will maintain 'Stable' outlook over the medium term owing to its long standing presence in the industry and extensive experience of the management in the education sector. The outlook may be revised to 'Positive' in case of significant improvement in its surplus generation while sustaining the growth in revenues aided by healthy admission levels. The outlook may be revised to 'Negative' if the trust faces challenges in maintaining the revenue growth or its debt protection indicators due to profitability pressure or higher-than-expected debt-funded capital expenditure deteriorating its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	31.00	26.18	33.47
EBITDA	Rs. Cr.	9.40	9.87	11.52
PAT	Rs. Cr.	6.55	7.43	8.38
EBITDA Margin	(%)	30.31	37.71	34.42
PAT Margin	(%)	21.14	28.38	25.05
ROCE	(%)	15.19	18.22	43.60
Total Debt/Tangible Net Worth	Times	1.36	1.49	2.53
PBDIT/Interest	Times	3.26	3.99	3.66
Total Debt/PBDIT	Times	4.19	3.38	3.29
Gross Current Assets (Days)	Days	153	26	31

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

Not Applicable

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

None

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB/ Stable (Assigned)

Contacts

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About Acuité Ratings & Research:

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