

Press Release

SRI BALAJI CHARITABLE AND EDUCATIONAL TRUST

February 14, 2020

Rating Downgraded



Total Bank Facilities Rated*	Rs.13.91 Cr. (Enhanced from Rs.3.00 crore)
Long Term Rating	ACUITE D (Downgraded from ACUITE BB/Stable)

* Refer Annexure for details

Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE BB**' (read as **ACUITE double B**) to the Rs.13.91 crore bank facilities of SRI BALAJI CHARITABLE AND EDUCATIONAL TRUST.

The downgrade of the rating factors delays in servicing of its debt obligations (both principal and interest) for last three months through November 2019, continuous overdrawn in overdraft facility for more than 30 days owing to delayed realization of its fees.

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

Analytical Approach

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

Key Rating Drivers

Strengths

• 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. Dhillip 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 moderate net worth, moderate debt protection measures. The net worth stood at Rs.40.78 crore as on 31 March, 2019 as against Rs.28.99 crore in the previous year. The trust's gearing stood moderate at 0.55 times as on 31 March, 2019 as against 1.36 times as on 31 March, 2018. The total debt of Rs.22.37 crore consists of long-term loan worth Rs.5.28 crore, Rs.5.93 crore of unsecured loans from relatives, Rs.11.15 crore of short-term working capital borrowings. The trust generated net cash accruals of Rs.8.27 crore during FY2019. The interest coverage ratio stood at 4.15 times in FY2019 as against 3.26 times in the previous year.

Weaknesses

• Delays in servicing debt obligations

The trust has been delaying in servicing its debt obligations for the last three months through November 2019, by about 20-23 days; owing to stretch in its liquidity. The stretch in liquidity is due to delay in receiving fees from students and government scholarships. There is usually delay in receiving money from the government scholarships fees are received on downside due to which the bank facility is overdrawn to

meet the operating expenses. This has caused delays in repaying the obligations to the banks and overdrawing in the overdraft facility.

• **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 frame work depending on the professional courses offered. The institutes face competition from other private institutions offering similar courses as evinced during FY22019 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: Stretched

The trust has been delaying in servicing of its debt obligations for the last three months through November 2019, by about 20-23 days; owing to stretch in its liquidity. The stretch in liquidity is due to delay in receiving fees from students. The fee is paid in two tranches from July to Aug and Nov to Dec. The scholarship money is received in July to Aug and balance money is received in March to April. The fees are received on downside during the November period due to which the bank facility is overdrawn to meet the operating expenses. This has caused delays in repaying the obligations to the banks.

About the Rated Entity - Key financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	36.88	31.04
PAT	Rs. Cr.	8.72	6.55
PAT Margin	(%)	23.65	21.12
Total Debt/Tangible Net Worth	Times	0.55	1.36
PBDIT/Interest	Times	4.15	3.26

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Entities in Service 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 (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
04-June-2019	Secured Overdraft	Long Term	3.00	ACUITE BB/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
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	9.65	ACUITE D (Downgraded from ACUITE BB/Stable)
Mortgage Term Loan	28-Mar-2018	Not Applicable	31-Dec-2020	1.26	ACUITE D (Assigned)

Proposed	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE D (Assigned)
----------	----------------	----------------	----------------	------	------------------------

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Sagarikaa Mukherjee Analyst - Rating Operations Tel: 022-49294033 sagarikaa.mukherjee@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in

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.