

18<sup>TH</sup> JULY, 2013

**RATING RATIONALE**

Facilities	Amount (Rs. Crores)	Rating
Term Loans	9.17	<b>SMERA D/ Assigned</b>

SMERA has assigned a rating of '**SMERA D**' (read as **SMERA D**) to the Rs.9.17 crores long term facilities of As-Salam Charitable and Educational Trust (ASCET). The rating is primarily constrained by the trust's weak liquidity position marked by delays in servicing term loan obligations. The rating is further constrained by ASCET's limited operational track record, decline in enrollment rate for the academic year 2012-2013 and the intense competition and regulation prevalent in the education industry. However, the rating derives some support from ASCET's qualified faculty.

Established in 2009, ASCET is a relatively new entrant in a highly competitive and regulated education sector. The trust currently manages one educational institute under the name 'As-Salam College of Engineering & Technology', which offers graduation courses for engineering in various streams. All the courses run by ASCET are approved by the All India Council for Technical Education (AICTE) and the college is affiliated to the Anna University, Tiruchirappalli. Student intake declined in the academic year 2012-2013 with the total enrollment rate being 59 per cent as compared with 70 per cent in the previous academic year.

ASCET's corpus fund has improved from Rs.1.61 crores as on March 31, 2009 to Rs.8.04 crores as on March 31, 2012 on account of capital infusion and surplus retention. Simultaneously, the total debt has also increased from Rs.1.18 crores as on March 31, 2009 to Rs.3.89 crores as on March 31, 2012. Trust's ability to make timely debt servicing is weak as ~40 per cent of the total costs (by way of staff salary and interest expenditure) are fixed.

**About the Trust**

ASCET was established on September 19, 2008 by Mr. M. J. A. Jamal Mohamed Ibrahim, Mr. A. M. Shahjahan, Mr. J. Anwar Batcha, Mr. A. Sirajudeen, Mr. O. Mohamed Hussain and Mr. Y. Sadiq Mydeen as permanent trustees. The trust currently manages one educational institute under the

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name 'As-Salam College of Engineering & Technology'. ASCET has its head office at Thanjavur, Tamil Nadu.

The trust is primarily managed by Mr. A. M. Shahjahan and Mr. J. Anwar Batcha. ASCET has registered a surplus of Rs.1.22 crores on operating income of Rs.3.94 crores for FY2011-12 as compared with a surplus of Rs. 0.78 crores on operating income of Rs.2.45 crores for FY2010-11.

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