

April 17, 2014

Facilities	Amount (Rs. Crore)	Rating
Term Loan I	4.00	SMERA B/Stable (Assigned)
Term Loan II	7.00	SMERA B/Stable (Assigned)
Proposed Term Loan	3.00	SMERA B/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B**' (read as SMERA single B) to the Rs.14.00 crore bank facilities of Toc H Public School Society (TOC). The outlook is '**Stable**'. The rating is constrained by the project implementation risk associated with the large capital expenditure undertaken by the society. The rating is also constrained by the society's exposure to intense regulation and competition prevalent in the education sector. However, the rating is supported by the moderate growth in the society's fee receipts. The rating is also supported by the society's moderate leverage and experienced management.

TOC, established in 1978, is a Kochi-based society engaged in running education institutes. TOC currently operates a school (Toc H Public School) and a college (Toc H Institute of Science & Technology). The society is undertaking capex of ~Rs.7.00 crore for setting up a hostel and a research centre for the college. The project commenced in FY2012–13 (refers to financial year, April 01 to March 31) and is expected to be completed by March 2015. The capex is currently funded through the society's internal accruals. However, TOC has applied for a term loan of Rs.3.00 crore (sanction pending) for the project. The society's internal accruals of Rs.6.41 crore (in FY2012–13) were utilised towards funding the ongoing capex and repaying the existing term loans (borrowed for capex undertaken in 2010 and 2012). TOC has to repay term loan principal of Rs.1.90 crore in FY2014–15. SMERA believes that time or cost overruns in project implementation may impinge TOC's debt repayment ability as the society's cash inflows are largely applied towards the ongoing capex and term loan repayments.

TOC's consolidated fee income increased from Rs.17.31 crore in FY2008–09 to Rs.26.02 crore in FY2012–13 on account of commencement of new graduate courses. The society's leverage is moderate at 1.05 times as on March 31, 2013.

TOC benefits from its experienced management. Dr. K. Varghese (founder director and manager of TOC) and Dr. Prof. Dr. P. J. Joseph (president of TOC) have around five decades of experience in the education sector.

Outlook: Stable

SMERA believes that TOC will benefit from its established track record of operations. The outlook may be revised to 'Positive' in case the society registers higher-than-expected growth in fee income (on the back of increasing enrolment rates) while maintaining operating profit margins and coverage indicators at comfortable levels. Conversely, the outlook may be revised to 'Negative' in

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case of significant time or cost overruns in the society's ongoing capex, or in case the society fails to achieve the projected scalability amidst intensifying competition in its area of operation. The outlook may also be adversely affected by deterioration in the society's financial risk profile on account of higher-than-expected increase in debt-funded capex.

About the society

TOC, established in 1978, is a Kochi-based society engaged in running education institutes that offer schooling, graduate courses in engineering and postgraduate courses in engineering and management.

TOC is headed by Dr. P. J. Joseph (President), Dr. K. Varghese (Founder Director & Manager), Mr. K. A. Simon (Secretary) and Mr. K. K. Mathew (Treasurer).

For FY2012-13, TOC registered a surplus of Rs.3.10 crore on operating income of Rs.26.02 crore, as compared with a surplus of Rs.0.30 crore on operating income of Rs.21.33 crore for FY2011-12. TOC's corpus fund stood at Rs.10.35 crore as on March 31, 2013, as compared with Rs.7.24 crore a year earlier.

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