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ICRA revises the rating for bank facilities of Sri Venkata Sai Educational Society

ICRA has revised the rating assigned to the Rs. 228.6 million term loan and Rs. 93.5 million non-fund based limits of Sri Venkata Sai Educational Society (SVSES) from LBBB- (pronounced L triple B minus) to LB+ (pronounced L B plus)[†].

The rating revision takes into account the pressure on the liquidity position of the society because of the on-going expansion project, delays in payments from state Government and decline in profitability. Moreover, there have been instances of irregularities in meeting its debt obligations in the past. The rating is also constrained by the challenges involved in attracting high quality students and faculty by private educational institutions, the continuous need to incur capex to maintain infrastructural facilities as well as add fresh courses / colleges and the regulatory challenges involved in the educational sector in India. However, the rating continues to derive comfort from the well-established and strategic location of SVSES's reputed medical college, healthy occupancy levels in its colleges, and the inherent predictability of revenues associated with educational institutions.

Society's Profile:

Sri Venkata Sai Educational Society (SVSES) was registered under the Societies Act in 25th Nov 1997 and started operations in 1999 with the setting up of SVS Medical College in Mahaboobnagar near Hyderabad. SVSES is promoted by Dr. K. Krishna Reddy, Dr. K. Jangi Reddy, Mr. K. Rama Reddy, Mr. T. Vijayaragavan, Mrs. S. Vijayaragavan, and Mr. K. Venkat Reddy. SVSES currently operates a Medical College, Dental College, College of Nursing, and offers M.Sc. courses and PG studies in medical sciences in the state of Andhra Pradesh.

In FY2009, SVSES registered an operating income of 235.8 million and PAT of 30.9 million. In the nine months ended December 2009, the society registered operating income of 185.7 million and PAT of 18.6 million (provisional).

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

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