

Sri Srinivasa Educational & Charitable Trust

Instrument	Amount Rated	Rating Action
Long Term fund-based limits	Rs. 90.36 crore (Reduced from Rs. 148.00 crore)	[ICRA]BB+(Stable) (Downgraded from [ICRA]BBB-(Stable); Suspension Revoked)

ICRA has downgraded the long-term rating assigned to the Rs. 90.36 crore¹ (reduced from Rs. 148.00 crore) long-term bank facilities of Sri Srinivasa Educational & Charitable Trust (SSECT)[†] to [ICRA]BB+ (pronounced ICRA double B plus) from [ICRA]BBB- (pronounced ICRA triple B minus). The rating outlook on the long term rating is Stable. The rating suspension done in July 2016 stands revoked.

The rating downgrade takes into account the regulatory changes related to admission procedure to medical courses offered by the Trust, whereby the admissions under the linguistic minority (~55% of the total medical seats) will be conducted through the National Eligibility cum Entrance Test (NEET). Earlier, due to lack of adequate applications under the linguistic minority category, the seats under this category were filled through management quota, thereby taking overall management seats from 20% of the seats to 75%. The balance 25% seats were filled through the Karnataka Common Entrance Test (CET). Due to higher seats under the management category coupled with higher fee charged for the management seats, the medical courses accounted for 54% of revenues in FY2016 as against 15% share of medical students in the overall student strength in FY2016. With the applicability of NEET for the linguistic minority, ICRA believes the revenues and surpluses from the medical college to be adversely impacted and need to significantly hike the fee charged for the residual seats under management category to offset the decline in revenues.

Apart from above, the rating downgrade is also driven on account of a large ongoing debt-funded capital expenditure of ~300 crore (debt: equity of 2:1) towards the introduction of post graduate medical courses. This capital expenditure was earlier proposed to be undertaken over the three year period of FY2016 to FY2018 and is now scheduled for completion by March 2017 as per the loan sanction terms. Apart from posing funding and execution risks due to a shorter time frame, this will also expose the Trust to the regulatory risks related towards timely receipt of the Medical Council of India (MCI) approval to commence admissions during the academic session 2017-18. In the likelihood of delayed MCI approval, the admissions and revenues from the new medical courses will be adversely impacted, which coupled with expected pressures on revenues from existing undergraduate medical course will affect the overall credit profile of the trust. This is reflected in estimated debt servicing obligation of ~Rs 67 crore in FY2018 as against the operating surplus before interest and depreciation of ~Rs 53 crore in FY2016, reflecting the criticalness of maintaining revenues from the existing medical course and the need for additional revenues from the new medical course.

The rating continues to be supported by the satisfactory track record of close to 15 years in managing educational institutions as also reflected in healthy occupancies in the engineering and medical colleges; and satisfactory ramp up of the school, which has been recently established. The rating is also supported by the satisfactory placement rates of ~74% (yet to complete) in engineering courses in AY2015-16 as against ~92% in AY2014-15. The rating continues to remain constrained on account of high competition faced by the Trust due to the presence of a large number of engineering and medical colleges in the state; the ability to improve the quality of education and infrastructure will be key driver of admissions in the long run. Also, the ability to maintain admission rates and make regular fee hikes given the high competitive intensity will be critical for the cash accruals and debt servicing ability.

Going forward, timely receipt of approval from MCI for the commencement of post-graduate medical courses and ability to maintain revenues/surpluses from the existing undergraduate medical courses will be critical for the cash accruals and hence the debt servicing ability of the Trust.

Company Profile

SSECT is a Section 8 company (under the Companies Act 2013), promoted by Mr. G. Dayananda. SSECT has set up an engineering college (Sapthagiri College of Engineering), a hospital (Sapthagiri Hospital) cum medical

¹ 100 lakh = 1 crore = 10 million

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



college (Sapthagiri Institute of Medical Sciences & Research Center) and a senior secondary school (under the franchise of National Public School) in Bengaluru (Karnataka). The engineering college offers B. Tech and M. Tech programmes while the medical college offers the MBBS programme. SSECT is part of the Bengaluru based GD Group, which in addition to education, also has presence in hospitality and liquor retailing in the state of Karnataka.

Recent Results

During FY2016 (provisional results), the Trust recorded a profit after tax (PAT) of Rs. 12.46 crore on an operating income (OI) of Rs. 126.90 crore as against a PAT of Rs. 18.82 crore on an OI of Rs. 117.29 crore in FY2015.

August 2016

For further details please contact:

Analyst Contacts:

Mr. Rohit Inamdar (Tel. No. +91-124-4545847)
rohit.inamdar@icraindia.com

Mr. Anil Gupta (Tel No. +91-124-4545314)
anilg@icraindia.com

Mr. Rajat Mehta ((Tel No. +91-124-4545377)
rajat.mehta@icraindia.com

Relationship Contacts:

Mr. Jayanta Chatterjee (Tel. No. +91-80-43326401)
jayantac@icraindia.com

© Copyright, 2016, ICRA Limited. All Rights Reserved
Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Bangalore****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500