

Sri Ramachandra University Trust

Instrument	Amount (In Rs Crore)	Rating Action
Long-term – Fund based facilities	12.50	[ICRA]A+ (Stable); assigned

ICRA has assigned a long-term rating of [ICRA]A+¹ (pronounced ICRA A plus) to the Rs 12.50 crore² fund based facilities of Sri Ramachandra University Trust (“SRUT”/ “the trust”). The outlook on the long term rating is Stable.

While arriving at the rating, ICRA has consolidated the financials of SRUT with Sri Ramachandra Educational and Health Trust (SREHT), the parent trust – given the strong operational and financial linkage between the trusts.

The assigned rating takes into consideration the established track record of the university, spanning three decades, and the strong reputation of its medical college which aids in maintaining healthy enrollment levels for its medical as well as para-medical courses. The rating also takes into account the strong finance profile of SRUT and SREHT, characterised by healthy capital structure (consolidated gearing stand at 0.2 times as at March 31, 2016) and robust debt coverage indicators backed by healthy accretion to reserves. The ratings are also supported by the stable cash flows derived from SREHT’s hospital and the inherent predictability of revenues associated with the university. These apart, the ratings also factor in the strong liquidity profile of the trusts at the consolidated level, supported by substantial cash and liquid investments of Rs 400.6 crore as on March 31, 2016.

However, the assigned rating is tempered by the high reliance on the university’s revenue from medical courses, which accounted for around 60% of the revenues for the financial year ended March 31, 2016 with the revenues from the para-medical courses and the university hospital remaining modest. In addition, the rating takes note of the trust’s continuous need to incur capital expenditure to maintain its infrastructural facilities. Nonetheless, ICRA also notes that the trust’s internal cash accruals will be able to support the expected scale of capex over the next 2-3 years and the dependence on additional term loans will be limited. Further, the rating takes into consideration the significant competition in the medical education and healthcare sectors which could add pressure in attracting and retaining faculty/doctors as well as talented students over the long term. These apart, given that the education sector is highly regulated in India, the university is exposed to significant regulatory risks associated with the stringent compliance requirements of the Medical Council of India and other relevant regulatory authorities.

Trust Profile

Sri Ramachandra University Trust (“SRUT”/“the trust”), a private not-for-profit institution operates Sri Ramachandra University (“the university”). It was established by late Mr. N.P.V. Ramasamy Udayar with focus on medical education, research and health care and the university runs nine constituent colleges offering around 100 courses in the health care sciences with nearly 4,000 students receive teaching and training within the university campus. This apart, SRUT also operates Sri Ramachandra University Hospital (“the university hospital”) – a 1,400 bed subsidized tertiary care facility located within the campus to cater to the learning and training needs of the students of the university where over 3,500 patients seek health care in the state of the art academic medical centre every day. The campus is located at Porur, Chennai spreading across a land area of 175 acres with a built up space of around 50 million sq.ft.

Sri Ramachandra University was initially established in 1985 as Sri Ramachandra Medical College and Research Institute (SRMCRI), under Sri Ramachandra Educational and Health Trust (SREHT). In 2012, the university and the associated teaching hospital were demerged to form SRUT as per University Grants Commission guidelines, 2010. SRHET continues to operate a separate 700 bed super-specialty hospital. Currently, Mr. V.R. Venkataachalam, son of Late Mr.N.P.V Ramasamy Udayar is the Chancellor of the University and is also the Managing Trustee of both the Trusts.

¹ For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

² 100 lakh = 1 crore = 10 million

**Recent Results (consolidated)**

For the year ended FY2016, the trusts have achieved a net profit of Rs. 104.8 crore on a total operating income of Rs. 572.3 crore compared to the net profit of Rs. 74.9 crore on a total operating income of Rs. 495.6 crore during the previous fiscal.

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