

March 27, 2020

## Dhanalakshmi Srinivasan Hotels Private Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund based Term Loan	52.00	52.00	[ICRA]D; reaffirmed
<b>Total</b>	<b>52.00</b>	<b>52.00</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The rating reflects the continuing delays in meeting interest and principal repayment obligations by the company on bank loans due to tight liquidity position arising from the mismatch in cash flows between lumpy fee collections and periodical debt repayment obligations. The debt levels have increased over years which have been availed for undertaking large capital expenditure in the past. The group's financial profile remains weak characterised by net losses, stretched capital structure and coverage indicators. The rating also considers the intense competition in the industry, and presence of regulatory risks in having to comply with the standards set by regulatory bodies, for the educational institutions. Going forward, the group's ability to generate higher accruals would be key to meet its debt repayment obligations.

### Key rating drivers and their description

#### Credit challenges

**Delays in servicing debt obligations** – There are continuing delays in servicing the debt repayment obligations (both interest and principal) of the trust.

**Weak Financial risk profile and constrained liquidity:** Owing to large debt funded capex in the recent years, the group has elevated debt levels, which coupled with net losses has resulted in stretched capitalisation and coverage indicators with consolidated gearing of 17.8 times as on March 31, 2019 and consolidated TD/OPBITDA of 8.7 times for FY2019. With steady losses, the group's liquidity position is tight and accordingly there are delays in servicing interest and principal obligations.

**Intense competition and regulatory risks:** The group is exposed to intense competition from other educational institutions / hotels in the vicinity. Moreover, the education sector in India remains highly regulated and the group's earnings remain vulnerable to regulatory risks.

#### Liquidity Position: Poor

The group's liquidity profile is poor and remains constrained by net losses and high debt repayment obligations. Turnaround in operations or infusion of equity will be critical in improvement in the liquidity position of the group.

#### Rating sensitivities

**Positive triggers** – ICRA could upgrade the ratings with regularisation of debt servicing obligations on a sustained basis.

**Negative triggers** – NA

## Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating methodology for entities in the Higher education sector</a> <a href="#">Rating methodology for Hotel industry</a> <a href="#">ICRA's policy on default recognition</a>
Parent/Group Support	Parent/Group Company: NA
Consolidation / Standalone	Consolidated

## About the company:

DS group of trusts namely Dhanalakshmi Srinivasan Charitable and Educational Trust (DSCET), Srinivasan Health and Educational Trust (SHET), Srinivasan Charitable and Educational Trust (SCET) were established in 1994 by Mr. Srinivasan, with the objective of running charitable and educational institutions. Dhanalakshmi Srinivasan Hotels Private Limited (DSHPL) was incorporated in 2008. The group has 23 colleges, 2 hospitals, 3 schools and one 68 key hotel.

In FY2019, on a consolidated basis, the group reported a net loss of Rs. 6.6 crore on an operating income of Rs. 286.8 crore, as compared to a net loss of Rs. 48.2 crore on an operating income of Rs. 290.4 crore in the previous year.

## Key financial indicators

Consolidated	FY2018	FY2019
Operating Income (Rs. crore)	290.4	286.8
PAT (Rs. crore)	-48.2	-6.6
OPBDIT/OI (%)	14.0%	29.8%
RoCE (%)	2.0%	7.9%
Total Outside Liabilities/Tangible Net Worth (times)	16.6	25.6
Total Debt/OPBDIT (times)	18.7	8.7
Interest Coverage (times)	0.6	1.2
DSCR	0.8	1.4

Source: Company

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

### Rating history for last three years:

Instrument	Current Rating (FY2020)				Rating History for the Past 3 Years		
	Type	Amount Rated	Amount Outstanding	Rating 27-Mar-2020	FY2019 19-Mar-2019	FY2018	FY2017
1 Term Loan	Long Term	52.0	52.0	[ICRA]D	[ICRA]D	-	-

### Complexity level of the rated instrument:

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](http://www.icra.in)

### Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Term Loan	FY2015	-	FY2025	52.0	[ICRA]D

Source: DSHPL

### Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Dhanalakshmi Srinivasan Charitable and Educational Trust	-	Full Consolidation
Srinivasan Health and Educational Trust	-	Full Consolidation
Srinivasan Charitable and Educational Trust	-	Full Consolidation
Dhanalakshmi Srinivasan Hotels P Ltd	-	Full Consolidation

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