

Dhanalakshmi Srinivasan Charitable and Educational Trust

March 19, 2019

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Fund based Term Loan	28.00	[ICRA]D; Assigned
Total	28.00	

*Instrument details are provided in Annexure-1

Rationale

The assigned rating reflect the delays in meeting interest and principal repayment obligations by the trust 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 is weak characterised by cash 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.

Outlook: Not Applicable

Key rating drivers

Credit challenges

Delays in servicing debt obligations – There are delays in 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 12.2 times as on March 31, 2018 and consolidated TD/OPBITDA of 18.7 times for FY2018. 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:

The group's liquidity profile remains constrained by presence of cash losses and high debt repayment obligations. The liquidity position is expected to be constrained going forward as well, until a turnaround happens in the group's operations.

Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating methodology for entities in the Higher education sector ICRA's policy on default recognition
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), Srinivasa 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 19 colleges, 2 hospitals, 3 schools and one 68 key hotel.

In FY2018, on a consolidated basis, the group reported a net loss of Rs. 48.2 crore on an operating income of Rs. 276.0 crore, as compared to a net loss of Rs. 16.2 crore on an operating income of Rs. 273.7 crore in the previous year.

Key financial indicators

Consolidated	FY2017	FY2018
Operating Income (Rs. crore)	273.7	276.0
PAT (Rs. crore)	-16.2	-48.2
OPBDIT/OI (%)	31.5%	14.7%
RoCE (%)	5.7%	2.0%
Total Debt/TNW (times)	8.1	12.2
Total Debt/OPBDIT (times)	10.0	18.7
Interest coverage (times)	1.2	0.6

Source: Company

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

		Current Rating (FY2019)			Chronology of Rating History for the Past 3 Years		
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016
1	Term Loans	28.0	28.0	March 2019 [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

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	28.0	[ICRA]D

Source: DSCET

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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