

Rating Rationale

Brickwork Ratings assigns ‘BWR A-’ for the Bank Loan Facilities (existing and proposed) amounting to ₹64.62 Crores of K.S.R. Educational and Charitable Trust.

Brickwork Ratings has assigned **Ratings¹** for the bank loan facilities (existing and proposed) of Rs 64.62 Crores (Rupees Sixty Four Crores and Sixty Two Lakhs Only) of **K.S.R. Educational and Charitable Trust** (“KSR” or “the Trust”) as follows:

Limits	Sanctioned Limits (Rs Crs)	O/S Limits (Rs Crs)	Tenure	Rating
Term Loans	70.00	27.72	Long term	BWR A- [Pronounced BWR A Minus] (Outlook: Stable)
Proposed Term loan	-	36.90		
Total	70.00	64.62	INR Sixty Four Crores and Sixty Two Lakhs Only	

*Annexure-I provides details of the bank facilities

BWR has principally relied upon the audited financial results upto FY15, provisional financials upto February 2016 and publicly available information and information/clarifications provided by the Trust.

The ratings assigned draw strength from the experienced management, established reputation & long operational track record of the Tamil Nadu (Tiruchengode) based K.S.R. Educational and Charitable Trust, qualified and experienced faculty, diversified presence across various education streams, healthy revenue receipts and above average financial risk profile of the Trust marked by comfortable gearing, sufficient surplus funds and strong debt protection metrics. The rating is, however, constrained due to the vulnerability to regulatory risk associated with the education sector, intense competition from other educational institutes in Tamil Nadu, location concentration and the continuous need for capital expenditure for investment in infrastructure facilities. As the rating is also for ‘proposed’ bank loan facilities, BWR has assumed standard terms & conditions that lenders stipulate for such loans, including, but not limited to, tenure of term loan of around 7 years, release linked to project progress and continued stable financial performance of KSR.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Background

K.S.R Educational and Charitable Trust (KSR) was set up by Dr K S Rangaswamy in 1984. KSR runs various post graduate, graduate and professional colleges at Tiruchengode in Namakkal (Tamil Nadu). The registered office is at Tiruchegode, Namakkal District. The Trust was registered as a Society under the Tamil Nadu Societies Registration Act 1972. The Trust comprises of five main colleges- K.S. Rangasamy College of Technology, K.S. Rangasamy Institute of Technology, K.S. Rangasamy College of Arts and Science, K.S. Rangasamy Institute of Dental Science and Research and K.S. Rangasamy College of Arts and Science for Women, offering graduate and post graduate courses in commerce, science, dentistry, and engineering with a total student strength of around 15,582. The total strength of teachers of the Trust is around 1740.

KSR is ISO 9001:2000 (E) and ISO 9001:2000 (E) certified. K.S. Rangasamy College of Technology is approved by AICTE, New Delhi, and affiliated to Anna University, Chennai. The eligible courses are accredited by NBA under Tier I Category. This college is also NAAC “A” Grade accredited . K.S. Rangasamy College of Arts & Science is affiliated to Periyar University, Salem, has NAAC “A” Accreditation. K.S.R. College of Arts and Science for Women is affiliated to Periyar University, Salem and is an ISO Certified Institution. K.S.R. Institute of Dental Science and Research Institute is affiliated to Dr. M.G.R. Medical University, Chennai and is recognized by the Dental Council of India, New Delhi.

The Colleges of the Trust have a modest placement record with premier recruiters such as Wipro Technologies, ICICI Bank, Syntel, Axis Bank, MC Donalds, Tata Consultancy Services, Sapient, etc.

The Trust has proposed to apply for term loan of Rs 36.90 Crs for the construction of International Library, Management Block and IT Park Building (exclusively for Information Technology). The project cost is estimated at Rs 55.10 Crs proposed to be funded by way of term loans of Rs 36.90 Crs and promoter’s contribution of Rs 18.20 Crs. As informed by the management, 70% of construction of the building has been completed till date, funded by internal accruals.

Board of Governors

KSR is a family owned Trust, run and managed by well-qualified and professional Board of Governors. The Governing Body comprises of Dr. K.S. Rangasamy, Mr. R. Srinivasan, Mr. S.R. Natesan, Mrs. Kavitha Srinivasan and three other members. Dr. K.S. Rangasamy is the President & Chairman of the Trust. He has more than three decades of experience in Industry and academics.

Financial Performance

Income from operations primarily consist of academic receipts (tuition fees, library admission fees, laboratory fees, registration fees, annual examination fees, Misc fees) and Grants & Donations. Income from operations slightly declined to Rs 89.64 Crs in FY15 from Rs 92.27 Crs in FY14 mainly due to slow remittance of funds from Govt. of Tamil Nadu with respect to exemption of part fees for first graduates in the family and full fees for reserved category. Profit after tax also declined to Rs 2.69 Crs in FY15 from Rs 12.93 Crs in FY14 mainly due to fall in revenues, increased depreciation and recurring expenses. Surplus Funds improved to Rs 183.64 Crs in FY15 from Rs 180.96 in FY14. Total borrowings stood at Rs 55.89 Crs as on March 31, 2015. Total Debt/Surplus Funds stood at 0.30 times as on March 31, 2015 as against 0.33 times as on March 31, 2014. ISCR (3.73 times), DSCR (1.78 times) of the Trust were at adequate levels during FY15.

On a provisional basis, the Trust has achieved revenues of Rs 93.28 Crs for 11MFY16.

Rating Outlook

The rating outlook is expected to be stable over the current year. Going forward, the ability of the Trust to scale up its operations on a sustained basis, recruit and retain experienced faculty, increase student enrolments and ensure timely infusion of capital for any future expansion of its infrastructure would be the key rating sensitivities.

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Annexure I: Details of the bank facilities rated

Bank Name	Limits (RsCr)	Rated Limits (Rs Crs)
Lakshmi Vilas Bank	27.72	27.72
Proposed Limits (Any other Bank)	36.90	36.90
Total	64.62	64.62