

RATING RATIONALE

Shri Ramraja Sarkar Lok Kalyan Trust

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of Rs.15.00 Crores of Shri Ramraja Sarkar Lok Kalyan Trust

Particulars

Facility	Amount (Rs. Crs)	Tenure	Rating*
Fund Based	15.00	Long Term	BWR BB+ Stable
Total	15.00	Rupees Fifteen Crores Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank facilities in Annexure-I

RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) has assigned the long-term rating of Shri Ramraja Sarkar Lok Kalyan Trust at BWR BB+ with a Stable outlook. BWR has factored in the diversified course offerings, established track record of operations, diversified experience of the management, consistent operational performance, healthy capital structure and comfortable debt protection metrics.

The 'Stable' outlook indicates a low likelihood of a rating change in the medium term. BWR expects that the entity's performance is likely to be maintained in the medium term.

The rating is constrained by intense competition, regulatory risk and unfavourable job market.

KEY RATING DRIVERS

Credit Strengths :

- **Diversified Course offerings and established track record of operations :** The Entity has diversified course offerings by 12 educational institutions spanning undergraduate, graduate and postgraduate programmes in Engineering, Pharmacy, Management, Commerce, Nursing etc. The Entity had taken over five institutes of Rawatpura Sarkar Lok Kalyan Trust in 2008 and within the next two years had also started seven other educational institutes.
- **Diversified Experience of Management :** The Entity also benefits from the extensive experience and a track record of the management which is engaged in stone crushing and EPC business through a Partnership firm, Shanti Constructions.
- **Consistent operational performance :** The Entity reports a Total Fee Income amounting Rs.20.38 Cr. and Rs.20.26 Cr. in FY19 and FY20, sustaining a current level of receipts of over Rs.20.00 Cr. According to the information provided by the management, the Entity has received receipts of Rs.19.81 Cr. in FY21. The Entity gets the receipts from its 11

educational institutions having a total capacity intake of 4226 seats across various programs against which total strength in Academic session 2020-21 is 3121 students which accounts to moderate enrollment percentage of 73.85%.

- **Moderate Financial Risk Profile** : The Entity has reported healthy capital structure with Corpus (analysed) of Rs.45.07 Cr owing to which Gearing (analysed) is low at 0.10X in FY20. Debt Protection Metrics are healthy i.e. ISCR and DSCR at 7.33X and 3.14X in FY21 (Proj.) depicting strong ability of the trust to service its interest and principal obligations on time.

Credit Risks :

- **Intense Competition:** The education sector is highly fragmented as there are a large number of small and large private institutes which offer similar kinds of courses. There is a lower demand for engineering and management courses due to high competition and lower placements.
- **Regulatory risk:** The Entity is exposed to regulatory risk as the education sector is highly susceptible to policy changes in India both at center as well as state level.
- **Unfavorable job market:** There is a risk of not so favourable job market in the country for engineering and management graduates in recent years. Placements are also affected by deteriorating levels of employability of engineering & management graduates in the country and negative perception of the corporates about them.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has factored in the standalone business parameters and financial risk profile of the company to arrive at the rating. Reference may be made to the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, the Entity's ability to increase the scale of business would be a key sensitivity over the short to medium term.

Positive : The rating outlook may be revised to positive if the Entity substantially increases in occupancy levels across various courses offered by the institutions. Maintaining its coverage ratios and liquidity position will be credit positive.

Negative : The rating may be downgraded if the Entity is unable to maintain or improve admissions.

LIQUIDITY POSITION (Adequate)

The liquidity position of the Trust is adequate, marked by healthy projected Net Cash Accruals of Rs.3.57 Cr in FY21. There has been an average utilization of 86.50% in its OD Limit in the last 5 months. The Trust's total corpus fund in FY20 is at Rs.45.07 Cr. The same has increased from Rs.41.16 Cr. in FY19 mainly due to a rise in profitability.

TRUST PROFILE

Shri Ram Raja Sarkar Lok Kalyan Trust (The Trust) was registered on 19.02.2008 under U.P.

State Trust Act at Shanti Niketan, Kanpur Road near BP Petrol Pump Jhansi U.P. The Trust imparts education in the field of Engineering, Pharmacy, Management, Commerce, Nursing etc. for the students belonging to nearby areas of Datia. (Border of Madhya Pradesh & Uttar Pradesh). The Trust has a 70 acre land where it is running all the institutions. Presently, the trust has 11 colleges and K-12 school (Play Centre to 12th standard). The Trust had taken over five institutes i.e. Rawatpura Sarkar Institute of Technology & Science, Shri Rawatpura Sarkar Institute of Pharmacy, Shri Rawatpura Sarkar School/College of Nursing, Shri Rawatpura Sarkar Snatak Mahavidyalaya, & Shri Rawatpura Sarkar College of Science & Education, from M/S Rawatpura Sarkar Lok Kalyan Trust in 2008. The Trust had also started seven other educational institutes within the next two years. Further the Trust plans to establish its own self financed private university, Shanti University.

KEY FINANCIAL INDICATORS (in INR Cr)

Key Parameters	Units	2019	2020
Result Type		Audited	Audited
Operating Revenue	₹ Cr	20.29	20.14
OSBIT	₹ Cr	3.92	3.57
Surplus	₹ Cr	0.86	4.68
Corpus Fund (Analysed)	₹ Cr	41.16	45.07
Total Debt/Corpus Fund (Analysed)	Times	0.13	0.10
Current Ratio	Times	1.07	1.29

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : NIL

NON-COOPERATION WITH PREVIOUS RATING AGENCY : IVR BB (Downgrade) (Issuer Non Cooperating) from Infomerics Ratings as on 26/02/2021.

RATING HISTORY FOR THE LAST THREE YEARS (INCLUDING WITHDRAWAL/SUSPENDED)

Instrument /Facility	Current Rating (April, 2021)			Rating History		
	Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2020	2019	2018
Fund Based	Long Term	15.00	BWR BB+ Stable	-	-	-
Total		15.00	Rupees Fifteen Crores Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)

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Shri Ramraja Sarkar Lok Kalyan Trust

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Type of Facilities	Long Term (₹ Cr)	ShortTerm (₹ Cr)	Total (₹ Cr)
1.	Overdraft	2.00	-	2.00
2.	Proposed Overdraft	3.00	-	3.00
3.	Proposed Term Loan	10.00	-	10.00
TOTAL				15.00

Total Rupees Fifteen Crores only.



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