Rating Rationale

Social Change And Development Trust

10 June 2021

Brickwork Ratings reaffirms the rating for the Bank Loan Facilities of Rs.39.89Crs of Social Change And Development Trust ('SCAD' or 'the Trust')

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (March 2020)	Present
Fund based	48.70	**39.89**	**Long Term**	BWR D	**BWR D (Reaffirm)**
Total	48.70	**39.89**	**INR Thirty Nine Crores And Eighty Nine Lakhs Only**		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

RATING ACTION : Brickwork rating reaffirms the rating of BWR D. The rating remains constrained by the modest scale of operations, below average financial risk profile and ongoing delay in servicing its debt obligations. These weaknesses are partially offset by the experience of the promoters in the education sector and established operational track record.

DESCRIPTION OF KEY RATING DRIVERS

Credit Strengths:
Established track record and experienced management: The Trustees and management team of Social Change And Development Trust are experienced and have more than two decades of experience in managing educational institutions. The founder trustees Dr.S.Cletus Babu and Mrs.J.Amali also manage two other associated trusts viz., AARK India Educational Trust and St.Xavier's Educational Trust who run well known Educational Institutions in Tirunelveli, Tuticorin and Coimbatore.

Credit Risks:
Modest Scale of operations: Net Receipts of the trust are modest at Rs.34.31 Cr in FY19 & Rs.29.39Cr in FY20. As per provisional FY21, the net receipts of the trust stood at Rs.28.53 Cr.

Delay in servicing of interest payments :
The trust is not adhering to the payment of interest in overdraft limit and repayment in term loan account as per the schedule thereby being classified as stressed asset by bank.
Below average financial Risk Profile: Corpus fund was Rs.12.19 Crs as on March 31, 2020 and Total debt/corpus fund has deteriorated to 5.17 times (FY20) from 3.70 times (FY19).

Geographical Concentration risk: Majority of the educational institutions run by the trust are situated in and around Tirunelveli, thus resulting in geographical concentration of revenue.

Susceptibility to regulatory changes and Impact on Covid-19: The education sector is highly regulated in India. The trust has to comply with specific operational and infrastructure norms laid down by regulatory bodies viz.,AICTE, NCTE, CBSE and other state educational authorities etc. Government guidelines and delay in the reopening of schools & colleges(due to covid-19) are expected to have an impact on the operating performance of the trust, particularly its operating revenue.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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

LIQUIDITY POSITION

The liquidity of the trust is poor, marked with full utilization of overdraft limit and irregularity in servicing interest payments. ISCR & DSCR stood at 1.33 times and 0.86 times respectively in FY20. Net cash accruals are low at around Rs.2.63 crs. In FY20. Given the reduced cash accruals because of a fall in student admission level, there is likely to be additional pressure on liquidity.

PROFILE OF THE TRUST

Social Change and Development Trust was established in 1985 with its registered office at Tirunelveli, Tamil Nadu. The trust runs various educational institutions in Tamil Nadu. There are 9 educational institutions which are run by SCAD Trust which includes engineering colleges, polytechnic colleges, community college, teacher training institutions, agricultural research institutions, vocational training institutions and schools. Most of these institutions are situated in and around Tirunelveli District.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY19	FY20
Result Type		**Audited**	**Audited**
Revenue receipts	Rs Crs	29.39	34.31
SBITDA	Rs Crs	5.07	9.20
SAT (Surplus after Tax)	Rs Crs	-10.10	-4.66
Corpus Fund	Rs Crs	16.84	12.19
Total Debt: Corpus Fund	Times	3.70	5.17
Current Ratio	Times	0.39	0.40

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NIL

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : CRISIL vide its rationale dated 24 Sep 2020, reaffirmed the ratings at CRISIL D and continued the rating in Issuer Not Cooperating Category

RATING HISTORY FOR THE LAST THREE YEARS [INCLUDING WITHDRAWAL AND SUSPENDED]

S.No	Facility	Current Rating (2021)			Rating History		
		Type	Amount (₹ Crs)	Rating	Mar 2020	Aug 2019	Feb 2018
1.	Fund Based	Long Term	39.89	BWR D Reaffirm	BWR D	BWR C-	BWR C-
	Total		**39.89**	**₹ Thirty Nine Crores And Eighty Nine Lakhs 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**
- **Short Term Debt**

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Social Change And Development Trust
ANNEXURE I

Details of Bank Facilities rated by BWR

SL.No.	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1	Overdraft	29.26	-	29.26
2	Term Loans (O/S)	10.63		10.63
INR Thirty Nine Crores And Eighty Nine Lakhs Only				39.89

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