

Harish Chandra Ram Kali Charitable Trust

May 10, 2022

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	14.50	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable; ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Facilities	14.50 (Rs. Fourteen Crore and Fifty Lakhs Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information from Harish Chandra Ram Kali Charitable Trust (HRCT) to monitor the rating(s) vide e-mail communications/letters dated January 14, 2022, April 29, 2022, May 2, 2022, etc. among others and numerous phone calls. However, despite our repeated requests, the trust has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The ratings on Harish Chandra Ram Kali Charitable Trust's bank facilities will now be denoted as **CARE BB; Stable; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The rating takes into account the constraints relating to trust's modest scale of operations, low profitability margins, leveraged capital structure and weak debt coverage indicators. Further, the rating is also constrained by risk associated with elongated operating cycle, intense competition from established and upcoming educational institutes and regulated nature of the education sector in India. The rating, however, draws comfort from experienced management & faculty with decade long track record of the trust in education sector, wide spectrum of courses offered by the trust and favourable demographic & socioeconomic factors.

Detailed description of the key rating drivers

At the time of last rating on April 05, 2021, the following were the rating strengths and weaknesses:
(Updated based on limited information provided by the client).

Key Rating Weaknesses

Modest scale of operations: HRCT's scale of operations continues to remain modest as marked by total operating income (TOI) and gross cash accruals of Rs.15.05 crore and Rs.2.17 crore respectively, during FY21 (FY refers to the period April 1 to March 31) as against Rs.18.92 crore and Rs.2.34 crore respectively, during FY20. Moreover, HRCT's scale of operations remained declining for the period FY19-FY21 (refers to the period April 1 to March 31). The same was mainly on account of concession on fees given to students owing to lockdown in the country as an impact of COVID-19 pandemic coupled with lower intake of students owing to competition in the industry. The modest scale limits the trust's financial flexibility in times of stress and deprives it of scale benefits. Further, the trust has achieved total operating income of Rs.10.78 crore during 11MFY22 (refers to the period from April 1, 2021 to February 28, 2022; based on provisional results). HRCT is managing 7 institutes and 1 school with an average enrolment ratio of 56.68% for FY21 and 56.79% for 11MFY22.

Low profitability margins, leveraged capital structure and weak debt coverage indicators: The profitability margins of the trust as marked by surplus margin stood low for the past three financial years (FY19-FY21). Surplus margin stood at 1.42% in FY21 as against 1.80% in FY20 mainly on account of increase in interest expenses.

The capital structure of the trust stood leveraged as on the past three balance sheet dates ending March 31, '19-'21 on account of high debt levels. Overall gearing ratio stood at 1.96x as on March 31, 2021 showing marginal deterioration from 1.84x as on March 31, 2020 mainly on account of higher utilization of working capital borrowings as on balance sheet date.

On account of high debt levels, the debt coverage indicators of the trust continue to remain weak as marked by interest coverage ratio and total debt to GCA which stood at 1.61x and 17.98x respectively in FY21 as against 1.84x and 13.72x respectively in FY20. The deterioration is mainly on account of increase in interest expenses owing to higher utilization of working capital borrowings consequently leading to lower gross cash accruals.

Elongated operating cycle: Despite of being in the education sector, the trust continues to have elongated operating cycle due to high receivables of Rs.15.44 crore as on March 31, 2021 as compared to total operating income of Rs.15.05 during FY21. The high receivable is due to the relax payment terms being offered to the students, in order to attract large number of students. However due to this, there is stress on the financial flexibility of the trust and increase in debt. Therefore, going forward, ability of the trust to reduce receivables along with the debt, would be key rating sensitivity.

¹Complete definitions of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications.

*Issuer did not cooperate; Based on best available information

Intense competition from established and upcoming educational institutes: HRCT faces high competition from other established and upcoming educational institutes located in and around Uttar Pradesh. The education industry is highly competitive and is highly dependent on the quality of faculty, infrastructure and course curriculum. With higher number of upcoming schools, universities and colleges coming up in North India, the competition is expected to intensify further.

Regulated nature of the education sector in India: Despite the increasing trend of privatisation of education sector in India, the sector continues to operate under stringent regulatory control requiring various statutory approvals with specific operational and infrastructure norms from controlling entities like AICTE, CBSE, etc. Thus, the trust needs to regularly invest on its workforce and infrastructure as per the norms issued by these bodies. Furthermore, due to its affiliation to universities, the revenue realization also depends upon the schedules prepared and changed by the university. This apart, tuition fee fixation for both government and management quota is also regulated by these Universities giving limited flexibility to the institutions. These factors have significant bearing on the revenues and surplus levels of the institutions and resultantly on the financial risk profile of trust.

Key Rating Strengths

Experienced management & faculty with decade long track record of the trust in education sector: The founder and chairman of the trust, Dr. Anil Agarwal has nearly two decades of experience in the field of education and is associated with the trust since its inception. The other advisory board members too have academic experience of more than a decade thereby, the trust benefits by their experience. Further, the decade long track record has helped HRCT to attract reputed entities to provide placement opportunities for the final year students of all streams. Furthermore, HRCT has the privilege of having a number of experienced faculty members, which is essential in building a strong brand name and attracting quality students.

Wide spectrum of courses offered by the trust: HRCT offers graduate and post graduate courses in diverse fields of education through its institutes. It offers B. Tech. courses (i.e. Computer Science, Mechanical, Civil, Information Technology, Electronics & Communication, Electrical and Electronics Engineering), M. Tech courses (Computer Science, Mechanical) in diverse field of engineering. This apart, the trust also offers other disciplines like Post Graduate Certificate in Management Programme, Post Graduate Diploma in Management, Bachelor of Business Administration, Bachelor of Master of Pharmacy, Master of Business Administration, Bachelor of Hotel Management and Catering Technology, Bachelor of Laws courses, etc. In addition to the above courses, the trust in association with the DPS Trust (Delhi Public School Trust) has also established Delhi Public School, Meerut Road, Ghaziabad. This is a co-educational English medium school for classes Prep. Nursery to 12th and is affiliated to CBSE board.

Favourable demographic & socio- economic factors: The emerging Indian economy supported by the growing service sector has led to an increase in personal disposable income. This rise in personal disposable income along with awareness about the importance of education has in turn led to increase in Private Final Consumption Expenditure (PFCE).

Liquidity: Stretched

The liquidity position of the trust remained stretched characterized by elongated collection period along with tightly matched accruals vis-à-vis repayment obligations. The trust has reported gross cash accruals to the extent of Rs.2.17 crore during FY21 and is expected to generate envisaged GCA of Rs.2.10 crore for FY23 against repayment obligations of Rs.1.30 crore. Further, the working capital limits are almost 80% utilized for the past 12 month's period ending April, 2022. Further, the trust has low free cash & bank balances which stood at Rs.0.64 crore as on March 31, 2021.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Education](#)

About the Trust

Harish Chandra Ram Kali Charitable Trust (HRCT) was formed in 2001 as a public charitable trust registered under Section 12A (a) of the Income Tax Act (1961), to establish institutes imparting engineering, pharmaceutical, management and other professional disciplines in Ghaziabad, Uttar Pradesh. HRCT is promoted by Dr. Anil Agarwal based out in Uttar Pradesh.

Currently, the Trust is running following educational institutes: H.R Institute of Technology (HRIT), H.R Institute of Pharmacy (HRIP), H.R. Institute of Hotel Management (HRHM), H.R Institute of Professional Studies (HRIPS), H.R. Institute of Engineering & Technology (HRIET), H.R Institute of Science and Technology (HRIST), H.R. Institute of Law and Delhi Public School (DPS). HRCT has been conferred with ISO 9001:2008 & 14001: 2004 certification.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	11MFY22*(Prov.)
Total operating income	18.92	15.05	10.78
SBILDT	4.92	5.76	NA
SAT	0.34	0.21	NA
Overall gearing (times)	1.84	1.96	NA
Interest coverage (times)	1.84	1.61	NA

A: Audited; Prov.: Provisional; NA: Not Available

*refers to the period from April 1, 2021 to February 28, 2022.

Status of non-cooperation with previous CRA: CRISIL Ratings has conducted the review and has maintained Harish Chandra Ram Kali Charitable Trust as "Not Cooperating" vide its press release dated November 10, 2021.

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Bank Overdraft		-	-	-	14.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based-Long Term		-	-	-	0.50	CARE BB; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-2023	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020
1	Fund-based - LT-Bank Overdraft	LT	14.00	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (05-Apr-21)	-	1)CARE BB; Stable (12-Mar-20)
2	Fund-based-Long Term	LT	0.50	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (05-Apr-21)	-	1)CARE BB; Stable (12-Mar-20)

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Bank Overdraft	Simple
2	Fund-based-Long Term	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media Contact

Name: Mr. Mradul Mishra
Contact no.: +91-22-6754 3573
Email ID: mradul.mishra@careedge.in

Analyst Contact

Name: Mr. Shivam Tandon
Contact no.: +91- 11-4533 3263
Email ID: shivam.tandon@careedge.in

Relationship Contact

Name: Ms. Swati Agrawal
Contact no.: +91-11-4533 3200
Email ID: swati.agrawal@careedge.in

About CARE Ratings Limited:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

Disclaimer

The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

****For detailed Rationale Report and subscription information, please contact us at www.careedge.in**