

A R R Charitable Trust

September 25, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities@	100.00	CARE BB+ (CE); Stable; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category and Downgraded from CARE BBB (CE); Stable

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

@backed by unconditional and irrevocable corporate guarantee provided by Ramachandra Educational Trust (RET; rated 'CARE BB+; Stable'; Issuer Not Cooperating).

Unsupported Rating	CARE BB; ISSUER NOT COOPERATING* [Rating continues to remain under ISSUER NOT COOPERATING category]
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Rationale and key rating drivers

CARE Ratings Ltd. had, vide its press release dated April 02, 2024, placed the ratings of A R R Charitable Trust (ARR) under the 'issuer non-cooperating' category as ARR had failed to provide information for monitoring of the rating. ARR continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and an email September 10, 2024.

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 rating of ARR's bank facilities will now be denoted as **CARE BB+ (CE); 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 revision in the rating is pursuant to Securities and Exchange Board of India (SEBI)'s circular no. SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dated January 3, 2020, regarding 'Strengthening of the rating process in respect of Issuer Non-Cooperation (INC) ratings'. SEBI has in this circular mentioned that "If an issuer has all the outstanding ratings as non-cooperative for more than 6 months, then the Credit rating agency (CRA) shall downgrade the rating assigned to the instrument of such issuer to non-investment grade with INC status."

The revision in ratings was on account of the non-availability of information for monitoring of the ratings despite repeated requests to ARR and RET (corporate guarantor). Bank facilities of ARR are backed by an unconditional and irrevocable corporate guarantee provided by RET.

The rating assigned to the bank facilities of RET continues to be constrained by the financial support extended to group entities in the form of corporate guarantee, high revenue dependence on the MBBS course, stretch in collection period, highly competitive industry, and highly regulated educational sector. The rating, however, derives strength from experience of the promoter and long-track record of operations, comfortable surplus margins, increase in enrolment levels leading to higher revenues, comfortable capital structure and debt coverage indicators.

Analytical approach: Guarantor's assessment of the bank facility of ARR has been considered since RET has executed corporate guarantee for ARR. Standalone approach is considered for unsupported ratings of ARR.

Outlook: Stable

Detailed description of key rating drivers:

At the time of previous rating published on April 02, 2024, the following were the key rating drivers:

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Key weaknesses**Moderate scale of operations with revenue concentration**

SVMCH, the hospital belonging to RET as well the Medical College, has completed 14 years of operations and the flagship medical college has been offering UG courses with PG courses since 2013. Fee revisions coupled with stable enrolment levels has helped the trust in posting consistent growth in the operating income since inception. Albeit increase, the scale of operations of the trust continues to remain moderate with total operating income of ₹191.29 crore in FY23 and SBILDT was at 56.05%.

Financial support to Group entities in the Form of Corporate Guarantee

RET had extended corporate guarantee against the bank facilities availed by ARR amounting to ₹ 100 crores towards project cost of ₹151.06 crores for setting up a hospital and medical college in Nallur Village, Ponneri taluk, Chennai. Of the total project cost, about ₹ 100 crore is funded by term debt and rest are promoter's contribution/corpus fund. In FY22, ARR had given advances of ₹ 50.51 towards setting up of Sri Venkateshwaraa University, state Private university. Both ARR charitable Trust and Ramachandra Educational Trust had a given corporate guarantee for a debt to tune of ₹ 126 crores. NMC had given approval for 150 MBBS student intake for the academic year 22-23.

Highly regulated education industry with regard to approvals and accreditations

The higher education in India is placed in the concurrent list of the constitution and thus comes under the purview of both Central and State Government. The sector is regulated by Ministry of Human Resources at the national level by the education ministries in each state, as well as by Central bodies and 14 other professional councils like All India Council of Technical Education (AICTE), Directorate of Technical Education (DTE), etc. The operating and financial flexibility of the higher education sector are limited, as regulations govern almost all aspects of operations, including fee structure, number of seats, changes in curriculum and infrastructure requirements. Furthermore, each institution offering postgraduate or undergraduate Technical Program are required to submit an application to the AICTE council, every year for extension of approval of courses offered by the Institution. Any delay or rejection of approval request may result in under-achievement of projected revenue streams. Further, it is noted that during FY18, CBI filed First Information Report (FIR) against 6 officials representing CENTAC (Centralized Admission Committee) and promoters of 7 private medical colleges based out of Pondicherry with regard to admissions and the matter is presently sub-judice and the outcome remains to be seen.

Key strengths**Institutions managed by highly experienced professionals**

RET is a family-managed trust with Mr B. Ramachandran functioning as the Managing Trustee. The Managing Trustee also has business interests in the real estate and hospitality sectors. RET has put in place an administrative structure wherein the day-to-day activities of the institutions are managed by the respective Directors and Principals who are highly experienced and well qualified professionals in the field of medicine.

Increase in overall enrolment levels

All the colleges run by RET are affiliated to the Pondicherry University. SVMCH, the flagship institute of the trust, has been able to maintain the first-year students' enrolment level at 100% since inception. In last two academic year AY21-22 & AY22-23, student strength in RET have increased by 7.7% and 10.3% respectively. In AY22-23, RET started new MBA course with 60 seats. The student intake in engineering course rose from 47% in AY21-22 to 62% in AY22-23.

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

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

[Policy in respect of non-cooperation by issuers](#)

[Rating Credit Enhanced Debt](#)

[Rating Outlook and Rating Watch](#)

[Education](#)

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[Service Sector Companies](#)

About the Guarantor - RET

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Consumer Services	Other Consumer Services	Education

Ramachandra Educational Trust is a non-minority charitable trust established in the year 1999 by Mr B Ramachandran, Managing Trustee. The trust is registered under Section 12 A of the Income Tax Act and commenced its activities by establishing a 750-beds hospital in Puducherry in August 2005. The medical college in the name of 'Sri Venkateshwaraa Medical College Hospital & Research Centre (SVMCH)' commenced its operations in the AY2007-08 with a sanctioned student intake of 150 students and offers MBBS program in affiliation with the Pondicherry University. The trust started admissions to Post Graduate (PG) program in medicine from AY2012- 13, dental in AY2020-21 and MBA in AY2022-23. Over the years, RET has started educational institutes offering courses in the field of Nursing, Paramedical, Engineering, Management and dental streams.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	151.41	175.72	191.29
PBILDT	44.48	49.23	56.05
PAT	30.02	31.06	32.28
Overall gearing (times)	0.32	0.54	0.49
Interest coverage (times)	6.89	5.86	3.95

A: Audited; Note: these are latest available financial results

About the Trust and Industry - ARR

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Healthcare	Healthcare	Healthcare Services	Hospital

ARR Charitable Trust was founded by Mr B. Ramachandran in July 2012. The trust has been involved in the activity of extending scholarship at a smaller level to students. The trust runs multi-speciality hospital named 'Sri Venkateshwaraa Medical College and Research Institute'.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	43.01	43.93	38.28
PBILDT	41.26	38.66	12.53
PAT	42.36	36.75	1.77
Overall gearing (times)	0.00	0.53	0.85
Interest coverage (times)	NM	32.63	1.60

A: Audited; NM: Not Meaningful; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	31-01-2032	100.00	CARE BB+ (CE); Stable; ISSUER NOT COOPERATING*
Un Supported Rating-Un Supported Rating (Long Term)		-	-	-	0.00	CARE BB; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	100.00	CARE BB+ (CE); Stable; ISSUER NOT COOPERATING *	1)CARE BBB (CE); Stable; ISSUER NOT COOPERATING * (02-Apr-24)	1)CARE BBB+ (CE); Stable (06-Apr-23)	1)CARE BBB+ (CE); Stable (25-May-22)	-
2	Un Supported Rating-Un Supported Rating (Long Term)	LT	0.00	CARE BB; ISSUER NOT COOPERATING *	1)CARE BB; ISSUER NOT COOPERATING * (02-Apr-24)	1)CARE BB (06-Apr-23)	1)CARE BB (25-May-22)	-

*Issuer did not cooperate; based on best available information.

LT: Long term.

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Name of the Instrument	Detailed Explanation
Financial covenants	
I. Debt Service Coverage ratio should not be less than 1.1 times from FY23	-
II. Current ratio should not be less than 1 times	-
III. Overall TTL/EBITDA not to exceed 3.5 times, where TTL means total non-current liabilities (excl liabilities considered as TNW) and current maturity of long-term liability	-

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Complex
2	Un Supported Rating-Un Supported Rating (Long Term)	Simple

Annexure-5: Lender details

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

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

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About us:

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