

## Arumuga Mudaliar Sornam Educational Trust

March 23, 2021

### Rating

Facilities/Instruments	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Long Term Bank Facilities	5.11	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE B+; Stable (Single B Plus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>5.11</b> <b>(Rs. Five Crore and Eleven Lakhs Only)</b>		

*Details of instruments/facilities in Annexure*

#### Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Arumuga Mudaliar Sornam Educational Trust (AMT) to monitor the rating vide e-mail communications dated March 12, 2021 and numerous phone calls. However, despite our repeated requests, the trust has not provided the requisite information for monitoring the rating. **In the absence of minimum information required for the purpose of rating, CARE is unable to express opinion on the rating. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of best available information which however, in CARE's opinion is not sufficient to arrive at fair rating.** The rating on AMT bank facilities will now be denoted as **CARE B; 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.**

*The revision in rating takes into account the non-availability of requisite information due to non-cooperation by Arumuga Mudaliar Sornam Educational Trust with CARE's efforts to undertake a review of the outstanding ratings as CARE views information availability risk as key factor in its assessment of credit risk profile.*

#### Detailed description of the key rating drivers

*At the time of last rating on March 31, 2020 the following were the rating strengths and weaknesses*

#### Key Rating Weaknesses

##### **Weak debt-coverage indicator though improved in FY19**

The debt coverage marked by TD/GCA stood weak albeit improved at 9.23x in FY19 (11.70x in FY18) mainly due to decline in total debt owing to scheduled term loan repayments and improved cash accruals, The interest coverage stood at 2.01x in FY19 as against 1.82x in FY18 on account of increase in absolute SBID due to increase in income by way of admission and tuition fees during FY19

##### **High level of regulations with strict norms in the industry and high level of Competition from other established institutes in the region**

Indian professional education is regulated by two agencies, namely the University Grants Commission (UGC) through the UGC Act and The All India Council for Technical Education (AICTE) through the AICTE Act. UGC controls the establishment of private universities and AICTE has the sole authority to plan and maintain technical education in the country. The operational as well as financial flexibility of higher education are limited as regulations governs almost all aspects of operations including fee structure, number of seats, and change in curriculum and infrastructure requirements. Despite the increasing trend of privatization of educational sector in India, regulatory challenges continue to pose a significant threat to the educational institutes. Due to increasing focus on education sector in Tamil Nadu and addition of new colleges/schools every year results in high competition level in the state and adjoining areas of AMT.

#### Key Rating Strengths

##### **Experienced trustees long track record of operations along with diversified revenue stream on account of various courses offered**

Mr. A. Krishnaswamy (83 years) is the founder of the trust with over five decades of experience in the educational sector. He has been one of the three development committee members' instrumental in setting up the Regional Engineering College, Trichy (now referred as National Institute of Technology) in 1964. He was also instrumental in setting up government school in Tittagudi which has student strength of 800 students at present. The founder trustee has also served as a member in Tamil Nadu Government Higher Educational Department for 10 years. Mr. A. Krishnaswamy is being referred as 'KalviKavalar' for his service in education. Mr. K. Rajapiradhaban, S/o Mr. A. Krishnaswamy is one of the key management trustees who is looking after the trust along with his father. He has over three decade of experience in the field of education. The board of trustees consist of 5 members including the founder, who belong to the same family. The members of the trust are

<sup>1</sup> Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

\*Issuer did not cooperate; Based on best available information

supported by qualified professionals heading the respective college/institution having rich experience in the respective field. The policy decisions such as starting new course and investment in infrastructure are taken by a committee comprising trustees in consultation with respective administrative/academic staff.

#### **Increase in gross receipts in FY19**

The gross receipts improved from Rs. 9.57 crore in FY18 to Rs. 9.99 crore in FY19. The improvement in gross receipt is due to increase in income by way of admission and tuition fees. AMT had total student strength of 2229 students for the FY19 as against 2254 students in FY18.

#### **Overall increase in student enrolments**

The AMT has registered increase in the overall actual intake, marked by 39.50% for the AY19-20 as against 31.29% for the AY18-19. Especially, the enrolment ratio is decreasing year-on-year with regard to Engineering and Polytechnic College on account of limited takers for the seat due to preference of the students over other courses on account of limited demand as compared to the supply for engineering graduates.

#### **Comfortable capital structure**

The capital structure of the trust marked by overall gearing continue to remained stable and comfortable at 0.12x as of March 31, 2019 as against 0.12x as of March 31, 2018 due to robust corpus fund. Furthermore, the debt equity also stood comfortable at 0.10x as of March 31, 2019 due to adequate corpus fund, coupled with scheduled repayments of secured loans borrowed.

#### **Increase in operating margins**

The SBID margin of the trust improved to 16.57% in FY19 as against 14.48% in FY18, due to increase in absolute SBID on account of increase in admission, tuition and other fees collected from students. The surplus margin stood at 8.34% in FY19 as against 6.54% in FY18.

**Analytical approach:** Standalone

#### **Applicable Criteria**

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

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

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology – Education Sector](#)

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

#### **About the Trust**

"Arumugha Mudhaliar Sornam Educational Trust (AMT) was established in March 1992 by Mr. A. Krishnaswamy and registered under Indian Trust Act. The main objective of the trust is to provide education services and engage in social welfare activities like eye camp and blood donation camp to the rural population. Presently, the trust runs 6 institutions consisting of an engineering college (both UG and PG courses), Arts and Science College, Polytechnic College, one teacher training college (B.Ed. course), Matriculation higher secondary school and a nursery school. The institutions are located in Cuddalore district, Tamil Nadu. The above institutions are managed by experienced professionals in their respective fields.

Brief Financials (Rs. crore)	31-03-2018	31-03-2019
	A	A
Gross receipts	9.57	9.99
SBID	1.39	1.53
Surplus	0.63	0.77
Overall gearing (times)	0.12	0.12
Interest coverage (times)	1.82	1.01

A: Audited

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not applicable

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

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	December 2023	1.98	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Mortgage Loan facility/ Asset backed financing	-	-	-	0.63	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Bank Overdraft	-	-	-	2.50	CARE B; 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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	1.98	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable (31-Mar-20) 2)CARE B+; Stable (02-Apr-19)	1)CARE B; Stable (25-Jun-18) 2)CARE D; ISSUER NOT COOPERATING* (04-Apr-18)	1)CARE D (04-May-17)
2.	Fund-based - LT-Mortgage Loan facility/ Asset backed financing	LT	0.63	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable (31-Mar-20) 2)CARE B+; Stable (02-Apr-19)	1)CARE B; Stable (25-Jun-18)	-
3.	Fund-based - LT-Bank Overdraft	LT	2.50	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable (31-Mar-20) 2)CARE B+; Stable (02-Apr-19)	1)CARE B; Stable (25-Jun-18)	-

\*Issuer did not cooperate; Based on best available information

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- Information not available**

**Annexure 4: Complexity level of various instruments rated for this trust**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Bank Overdraft	Simple
2.	Fund-based - LT-Mortgage Loan facility/ Asset backed financing	Simple
3.	Fund-based - LT-Term Loan	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**About CARE Ratings:**

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#### Disclaimer

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