

## Shri Rawatpura Sarkar Lok Kalyan Trust

March 24, 2022

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	52.22 (Enhanced from 32.22)	CARE BBB; Stable (Triple B; Outlook: Stable)	Reaffirmed
<b>Total Bank Facilities</b>	<b>52.22</b> <b>(Rs. Fifty-Two Crore and Twenty-Two Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Shri Rawatpura Sarkar Lok Kalyan Trust (SRSLKT) continues to draw strength from the long track record of SRSLKT in running educational institutes, large student base coupled with satisfactory faculty-student ratio, stable enrolment rates in FY21 (refers to the period from April 01 to March 31) with satisfactory placement record, stable operating income with improvement in profitability margins during FY21, comfortable capital structure and debt coverage indicators. The above ratings are, however, constrained by high collection period, on-going project risk, intense competition due to fragmented nature of industry and regulated nature of the sector.

### Rating Sensitivities

#### Positive Factors - Factors that could lead to positive rating action/upgrade:

- Successful and timely completion of on-going project with benefits from the same as envisaged
- Improvement in collection period below 100 days on a sustained basis

#### Negative Factors- Factors that could lead to negative rating action/downgrade:

- Sustained deterioration in the overall gearing (beyond 0.5x) and TDGCA ratios (beyond 5x)
- Student enrolment falling on a continuous basis due to fall in demand

### Detailed description of the key rating drivers

#### Key Rating Strengths

##### Long track record of the trust in running educational institutes

SRSLKT promoted Sri Rawatpura Sarkar Group of Institutions (SRSGI) has been in operation since 2000 and has gradually grown from a single institute in 2003 to 26 colleges/schools currently imparting education in various disciplines as well as running industrial training programmes. It has taken initiatives for diversification and expansion by setting up new Technical Institutions in Central India. It also runs vocational courses for giving training to villagers in the field of organic manure, biogas, etc. With operation of almost two decades, the institute has made a noticeable presence in the state of Chhattisgarh.

##### Large student base coupled with satisfactory faculty-student ratio

SRSLKT has catered to over 11,500 students in the academic year 2021-2022 through its 24 schools/ colleges and university. The number of students has increased by ~23% in FY22 vis-à-vis FY20 due to increasing admissions in Shri Rawatpura Sarkar University. Further, the faculty to student ratio also remained satisfactory in all of its institutes.

##### Stable enrolment rates

SRSLKT enjoys a good reputation in Chhattisgarh, with an intake of around 4,431 students in FY22. The enrolment ratio remained stable at 96% in FY22 (97% in FY21) due increased admissions in nursing, D. Ed and M.Pharma and GNM.

##### Satisfactory placement record

The placement percentage of the trust is satisfactory and as per the trend as seen above, the placement ratio in nursing, engineering and pharmacy has been impacted because of COVID-19 pandemic. However, MBA course students find almost 100% placement in the market. Under pharmacy, students have option to start their own business as well.

##### Stable operating income with improvement in profitability during FY21

The income from operations of SRSLKT registered at Rs.44.92 crore in FY21 and has remained almost in line with that of FY20 (Rs.45.21 crore) despite a decline in fees received and decrease in donations received into the trust. However, Trust's operating surplus has increased to Rs.19.76 crore in FY21 vis-à-vis Rs.14.01 crore in FY20 due to dip in salaries and wages paid to the workers and staff in FY21. Consequently, with similar capital charges, SRSLKT's net surplus has also increased to Rs.9.84 crore in FY21 (Rs.4.22 crore in FY20). Cash surplus improved in FY21 to Rs.17.12 crore (Rs.11.37 crore in FY20).

##### Comfortable leverage ratios & debt protection metrics

Capital structure is characterised by high networth base, built over the years through accretion of profits to reserves and low debt profile. Total debt has increased to Rs.32.41 crore as on March 31, 2021 from Rs.26.06 crore as on March 31, 2020 due to disbursement of term loan taken for the project. The debt equity ratio and overall gearing ratio of the Trust stepped up and was

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

comfortable at 0.24x and 0.27x respectively as on March 31, 2021 (0.16x and 0.23x respectively as on March 31, 2020). Further, TDGCA ratio of SRSLKT improved to 1.89 times as on March 31, 2021 (2.29x as on March 31, 2020).

## Key Rating Weaknesses

### High collection period

The collection period of SRSLKT remains high at 233 days in FY21 (213 days in FY20) due to the fee structure of the trust. Fee is collected on two bases: yearly basis and semester basis. For yearly basis, students pay 30-40% of the total fees upfront and the remaining is paid during exam time, after which No Due Certificate is issued and the student appears for exam. For semester basis (June and December semester), there are two semesters per annum. The student pays fees for that particular semester only, whereas the entire annual fees are taken into books at the time of first semester itself. Thus, the fees for the second semester remains outstanding in the books as on March 31, every year. Hence, due to this structure of fees, fees receivable stands outstanding as on March 31, every year, thereby resulting in high collection period. The receivables as on March 31, 2021 stood at Rs. 27.13 cr (Rs. 24.24 cr as on March 31, 2020).

### Project Risk

Shri Rawatpura University (SRU) got in-principle approval from University Grants Commission (UGC) vide letter dated August 19, 2018 subject to creation of required academic and physical infrastructural facilities laid down by it and other statutory councils(s). For abiding by such regulations, the trust has incurred capex amounting to Rs.21.81 crore in FY21 for setting up, girls' hostel (with a capacity of 330 students), laboratory and auditorium etc in the university. Further, the trust has availed Rs. 19 cr from HDFC bank for expansion in 30,000 sqft in university. The University has started admissions and has enrolled ~2264 students in FY22 and is running more than 90 courses. In the future years, enrolments are expected to gear up further consequently contributing to the revenue of the trust.

### Intense competition due to fragmented nature of industry

The education industry is highly fragmented with few players in the organized sector. Barring a few, most of the organized sector players have one or two institutes only. All these lead to high level of competition in the industry. Further there are numerous engineering, management and other post graduate colleges in and around Chhattisgarh, leading to intense competition.

### Regulatory framework for educational sector in India

The pattern of growth of educational sector in India shows that there is concentration of growth in major metropolitan cities, which are churning out substantial number of qualified professionals. Though the expansion of growth in educational services to non-metro cities is noticed of late, a considerable scope for expanding services to others area can be envisaged. However, with the increasing trend of privatization of education sector in India, the sector continues to operate under stringent regulatory control. Accordingly, the players, at times, find it difficult to realize their plans or cope up with the framework resulting in failure of the institution. Hence, regulatory challenges continue to pose a significant risk to private educational institutions as they are highly susceptible to changes in regulatory framework.

### Liquidity: Adequate

Adequate liquidity characterised by sufficient cushion in GCA (Rs.17.12 crore in FY21) and moderate cash and bank balance of Rs.1.48 crore as on March 31, 2021. The utilisation of fund-based utility stands at an average of ~50.51% supported by above unity current ratio (2.57x as on March 31, 2021). Further, the trust has unutilized CC of Rs. 10.90 cr as on Jan 31, 2022. Also, the trust has cash and bank balance of around Rs. 1.5 cr as on Jan 31, 2021. The trust has debt repayment obligation of Rs.6.38 crore in FY22 which would be met entirely out of cash accruals. SRSLKT has a high operating cycle at 138 days in FY21 (169 days in FY20) mainly on account of high collection period (233 days in FY21 and 213 days in FY20) arising on account of fee structure of the trust. However, the trust is taking measures to ensure timely collection of fees from students and the collection period is expected to improve in the future.

**Analytical approach:** Standalone

### Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Education](#)

### About the Company

Shri Rawatpura Sarkar Lok Kalyan Trust (SRSLKT) registered under the Public Charitable Trust Act was established in March 2000 by Mr Ravi Shankar. He is a renowned saint and a philanthropist. Over the years, the trust has established a number of ashrams, educational institutes, old-age homes, Sanskrit schools, blood banks, etc. SRSLKT presently has 26 colleges and schools in six campuses in New Raipur, Jabalpur, Dhaneli, Jagdalpur, Bilaspur and Kumhari offering courses in engineering, management, pharmacy, nursing and education courses and allied sciences. The trust had also opened Shri Rawatpura Sarkar International School in Dhaneli during FY18. In FY19 the Trust received approval for University under the Chhattisgarh Private Universities (Establishment and Operations) (Amendment) Act, 2018.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (UA)
Total operating income	45.21	44.92	NA
PBILDT	14.01	19.76	NA
PAT	4.22	9.84	NA
Overall gearing (times)	0.23	0.27	NA
Interest coverage (times)	5.31	7.48	NA

A: Audited, UA: Unaudited, NA: Not Available

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

**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-Term Loan		-	-	Sep 2027	41.22	CARE BBB; Stable
Fund-based-Long Term		-	-	-	11.00	CARE BBB; Stable

#### 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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	41.22	CARE BBB; Stable	1)CARE BBB; Stable (20-Apr-21)	1)CARE BBB; Stable (31-Mar-21)	1)CARE BBB-; Stable (03-Mar-20)	1)CARE BBB-; Stable (27-Mar-19)
2	Fund-based-Long Term	LT	11.00	CARE BBB; Stable	1)CARE BBB; Stable (20-Apr-21)	1)CARE BBB; Stable (31-Mar-21)	1)CARE BBB-; Stable (03-Mar-20)	1)CARE BBB-; Stable (27-Mar-19)

#### Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- NA

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

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Term Loan	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.

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### About CARE Ratings Limited:

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