

December 17, 2013

**CARE REAFFIRMS THE RATING ASSIGNED TO THE BANK FACILITIES OF
SOCIETY FOR EDUCATION FOR LIFE**

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	8.04	CARE BBB- (Triple B Minus)	Reaffirmed
Total Facilities	8.04		

Rating Rationale

The rating assigned to the bank facilities of Society for Education for Life (SEL) continues to derive strength from SEL being part of the Daughters of Mary Immaculate (DMI) group with synergies and support derived from the group by way of contributions and loans & advances, the comfortable credit risk profile and size of the DMI Group, vast experience of the founder and members of SEL in managing educational institutions and SEL's long and stable operational track record. The rating further draws strength from SEL's diversified revenue stream, stable cash flows associated with educational institutions, comfortable and stable financial risk profile characterized by revenue growth, healthy operating margins and modest gearing levels.

The rating continues to be constrained by SEL's relatively small scale of operations, limited track record of the engineering college run by the society coupled with low first year enrolment ratio in the Academic year (AY) 2013-14 (refers to the period August to July), timing differences in cash flows inherent to the education institutes and the regulatory risks associated with the educational sector.

Going forward, the ability of the group to improve the student enrolment ratios at its engineering colleges, increase its scale of operations and sustain its operating margins while maintaining its capital structure will be the key rating sensitivities. Additionally, any major capital expenditure program, its funding-mix and changes in the government policies will also be the key rating sensitivities.

CARE has followed a group approach for arriving at the rating and has combined the credit risk profile of the five entities of the group, namely, 'The Society of Daughters of Mary Immaculate and Collaborators' (SDMI), 'The Daughters of Mary Immaculate and Collaborators Trust' (DMIC, rated 'CARE BBB-'), 'Brotherhood Trust' (BHT, rated 'CARE BBB-'), 'Tiruttani Rural Development Society' (TRDS) and SEL. These entities are engaged in similar lines of business and operate under common management, which results in significant synergies for the group. Additionally, the group has demonstrated cash-flow fungibility amongst the group entities.

Background

The Society for Education for Life (SEL) established in the year 1993 belongs to the Daughters of Mary Immaculate (DMI) group founded by Reverend Father JE Arul Raj OMI. SEL is a charitable

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

society registered under the Tamil Nadu Societies Registration Act, 1975 and under Section 12A of Income Tax Act.

The group manages several educational institutions, including seven engineering colleges, two arts & science colleges, two teachers training institutes and nine schools, animation & retreat centre, hospital among others through various trusts & societies which operate under the same management. The total student strength of the group increased from about 19,700 in AY12-13 to about 22,000 in AY13-14.

During FY13 (refers to the period April 01 to March 31), the group acquired assets & liabilities of another trust Grace Swaminathan Educational and Charitable Trust (GSECT) from its erstwhile founder Mr Peter Alphonse. GSECT operates one engineering college (J P College of Engineering), one arts & science college (J P College of Arts and Science) and one teachers training college (J P College of Education).

SEL currently manages three educational institutions, namely, St Joseph's Matriculation H Sec School (SJMSS), St Joseph's College of Arts & Science (SJCAS), St Joseph's College of Engineering & Technology (SJCET) and one hospital under the name St Joseph's Hospital. SEL had total student strength of 1,159 students (1,041 in AY12-13) for its undergraduate courses in engineering college, 4,972 students at the school (4,533 in AY12-13) and 998 (581 in AY12-13) students at the arts & science college (AY refers to the period June to May for schools and July to June for arts and science colleges). Reverend Father JE Arulraj OMI, the founder of SEL, is responsible for the overall management who is supported by Reverend Sister Gnanaselvam DMI who is the president of the society.

The DMI group was earlier managed by the late Reverend Sister Virgin DMI under the guidance of Reverend Father Arulraj OMI. She was also the president of SEL. She passed away on January 11, 2013. Subsequently, Reverend Sister Gnanaselvam has been elected as the president of SEL. Sister Gnanaselvam has nearly two decades of experience in the education sector.

During FY12, SEL reported a surplus of Rs.0.20 crore on a total income of Rs.19.40 crore. During FY13, SEL reported a surplus of Rs.4.69 crore on a total income of Rs. 24.12 crore on a provisional basis.

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