

June 3, 2010

**CARE REAFFIRMS RATING ASSIGNED TO THE BANK FACILITIES OF
SAPTHAGIRI EDUCATIONAL TRUST****Rating**

| Facilities | Amount (Rs. crore) | Ratings¹ | Remarks |
|------------------------------------|-------------------------------|---|----------------|
| Long-term Secured Rupee Term Loans | 51.09 | 'CARE BBB-' (Triple B Minus) | Reaffirmed |
| Total Facilities | 51.09 | | |

Rating Rationale

The rating continues to reflect the well-established operations of SET primarily driven by its well-known engineering college Sri Sai Ram Engineering College (SEC), SET's high margins translating into strong operating cash flows, healthy students-enrolment ratio of its engineering colleges and stability of revenues associated with educational institutions.

However, the rating is constrained by relatively small size of SET and large size of the ongoing debt funded capital expenditure program. The rating is also constrained by the challenges involved in attracting students and retaining high quality faculty, managing inherent cash flow mismatches (as bulk of the fee is collected in the months of June-September while the trust has to incur regular stream of payments towards salary, maintenance, debt servicing etc.), uncertainty associated with seat sharing and fee fixation due to frequent changes in Government policies and the regulatory challenges involved in the educational sector in India. The rating also takes into account the constitution of SET registered under the Tamil Nadu Societies Registration Act.

Going forward, ability of SET to maintain healthy students' enrolment ratio so as to effectively utilise the existing as well as infrastructure which is being currently built, retain trained & skilled teaching staff, to ensure successful and timely completion of the project without any cost overrun, manage temporary cash-flow mismatches and to maintain stable margins will be the key rating sensitivities.

Company Profile

M/s.Sapthagiri Educational Trust (SET) is an educational trust formed and registered in 1994, under the leadership of Mr.M.Jothiprakasam (alias) MJF.Lion Leo Muthu, Chairman of SET.

SET operates nine educational institutions (a school, two engineering colleges, three teacher training institutes, a college offering Bachelor of Education, a polytechnic college and one medical college providing education in the field of Indian medicine viz., Siddha, Ayurveda and Homeopathy) in Tamil Nadu and Pondicherry. For the Academic Year 2009-10, SET had total student strength of around 5,700 as against 3,523 students in AY 2008-09.

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

Total operating income of SET grew by 52% in FY09 to Rs.2,960 lakh. SET reported a Surplus of Rs.1,094 lakh in FY09 as against Rs.767 lakh in FY08. Overall gearing was moderate at 0.51x as at the end of Mar'09. For H1FY10, SET reported operating income of Rs.3,452 lakh as against Rs.2,960 lakh achieved during FY09.

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CARE classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

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