



Press Release

Shri Gangajali Education Society

March 09, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facilities	150.26	IVR BBB-/ Credit Watch with Positive Implication (IVR Triple B Minus under credit watch with Positive Implication)	Assigned
2.	Short Term Bank Facilities	30.50	IVR A3/ Credit Watch with Positive Implication (IVR A Three under credit watch with Positive Implication)	Assigned
	Total	180.76		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Shri Gangajali Education Society comfort from its established track record of over two decades in imparting education, experienced management team. The rating also factors in its diversified revenue base, satisfactory infrastructure with association of experienced faculties, improvement in operating performance of the society in FY20 and as per 9MFY21 (Prov) results and comfortable capital structure. These rating strengths are partially offset by susceptibility to regulatory risk and intense competition by other institutions in the proximity.

Key Rating Sensitivities:

Upward Factor:

- ✓ Improvement in enrolment rates thereby adding to the growth in operations and profitability and consequent increase in liquidity on a sustained basis
- ✓ Reduction in debt level with improvement in the capital structure and debt protection metrics



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Downward factor:

- ✓ Decline in the intake of students and/or negative change in government regulations leading to moderation in the operating income and/or dip in profitability impacting the liquidity
- ✓ Deterioration in debt protection metrics
- ✓ Increase in planned capex impacting the overall financial risk profile

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Established track record of the society of successfully running educational institutions for over two decades in imparting education and experienced management

Shri Gangajali Education Society was registered on May 18, 1994 under under Madhya Pradesh Societies Registrkaran Adhinyam, 1973. The society runs different courses into Arts, Science, Engineering, Management, Technology, Pharmaceuticals, Nursing, Education, Paramedical & Medical Sciences. The society runs 16 institutions collectively known as Shri Shankaracharya Group of Institutions. The Society has recently established professional university named as Shri Shankaracharya Professional University. Over a period of time there has been consistent growth in the student strength and it has currently enrolled around 15200 students across various institutions. The Society also benefits from its over two decades of presence in Bhilai-Raipur region, experienced members of the governing body and by a team of qualified faculty members having considerable experience in the education sector.

Diversified Revenue Base

SGES has a diversified income profile supported by various courses offered at its institutes, providing hostel facilities to students and from hospital receipts. Diversified income reduces the concentration of business risk. SGES derives ~88% of its total income from fees receipts & hospital receipts and balance from hostel and transportation charges. Revenue from Medical Sciences accounts for ~34% of total receipts of the society in FY20.



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Satisfactory infrastructure with association of experienced faculties

All the 16 institutions at Bhilai & Raipur are well equipped with modern infrastructure. All the institutions are running with college, hostel, residential quarters, playgrounds, swimming pool, sports complex, workshops, guest house, power substation, auditorium, conference rooms, labs, demo rooms, lecture theatres etc.

Increase in Total Operating Receipts and Surplus

The Operating receipts of the society increased to Rs.127.44 Crores in FY20 as against Rs.97.78 Crores in FY19. As per 9MFY21 (Prov) results, operating receipts reported by the society is Rs.88.75 Crores. The Society reported net surplus of Rs.4.97 Crores as per 9MFY21 (Prov) results compared to the deficit reported in FY19&20.

Moderate financial risk profile

The capital structure of the society remained strong as on the past three account closing dates mainly due to healthy corpus fund. The Society's networth stood at 240.65 Crores in FY20 as against Rs.229.53 Crores in FY19. As per 9MFY21 (Prov) results TNW stood at Rs.245.62 Crores. The overall gearing stood at 0.43x in FY20 as against 0.42x in FY19. Total indebtedness of the society also remained strong as reflected by TOL/TNW at 0.62x as on March 31, 2020. The debt protection parameters remained at an average level i.e. ISCR & DSCR at 1.36x & 1.09x in FY20. However, it is expected to improve in the projected period on account of expected increase in operating receipts and surplus reported by society as per 9MFY21 (Prov) results compared to the deficit reported in FY19&20. ISCR & DSCR is expected to remain above 2.00x in the projected period.

Positive demand outlook for education in India marked by significant demand for higher education

The long-term demand outlook of the education industry remains favourable on the back of a significant demand-supply gap in the higher education space augurs well for the group. Further, demand for higher education is likely to improve in India on the back of rising awareness, increasing population and better affordability.



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Key Rating Weaknesses

Exposure to intense competition

SGES faces intense competition from reputed public, private educational institutes and from hospitals in the region. This puts pressure on attracting / retaining talented students and faculty. The institutions of the society are located in and around Bhilai and Raipur (Chhattisgarh). Both Bhilai and Raipur are well known for their educational institutions and have other engineering institutes and science colleges.

Susceptibility to Regulatory Risk

The education and medical sector is highly regulated and compliance with specific operational and infrastructure norms set by regulatory bodies are important. Thus, regular investment in the workforce and infrastructure is needed to conduct the operations efficiently. Any regulatory changes that impact the flexibility of the society to fix fees for the management quota seats may adversely impact the revenue profile and cash accruals.

Analytical Approach: Consolidated

Applicable Criteria:

Rating Methodology for Service Sector Companies
Financial Ratios & Interpretation (Non-financial Sector)

Liquidity - Adequate

Adequate liquidity marked by expected cash accruals in the range of ~Rs.28.00 to 64.00 Crores in next three fiscal (FY21 to 23) as against repayment obligation in the range of ~Rs.7.41 Crores in FY21, Rs.13.59 Crores in FY22 and Rs.24.36 Crores in FY23. Further the society had cash and bank balances, fixed deposits and mutual fund investments of Rs.43.97 Crores as on March 31, 2020. This indicates an adequate degree of liquidity support to the society in meeting its near-term debt obligations.



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About the Society

Shri Gangajali Education Society was registered on May 18, 1994 under under Madhya Pradesh Societies Registrikaran Adhinyam, 1973. The society is running different courses into Arts, Science, Engineering, Management, Technology, Pharmaceuticals, Nursing, Education, Paramedical & Medical Sciences. The society runs 16 institutions collectively known as Shri Shankaracharya Group of Institutions. At present the society has enrolled around 15200 students across various institutions run by SGES.

Financials (Consolidated):

	(Rs. crore)	
For the year ended*/As on	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	97.78	127.44
EBITDA	2.04	15.12
PAT	-16.07	-16.56
Total Debt	95.73	102.99
Tangible Net worth	229.53	240.65
EBITDA Margin (%)	2.09	11.86
PAT Margin (%)	-14.38	-12.55
Overall Gearing Ratio (x) on Book TNW	0.42	0.43

*Classification as per Infomerics standards

Status of non-cooperation with previous CRA: NA

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Term Loan	Long Term	150.26	IVR BBB-/ Credit Watch with Positive Implication (IVR Triple B Minus under credit watch with Positive Implication)	-	-	-
2.	Overdraft	Short Term	12.00	IVR A3/ Credit Watch with Positive Implication (IVR A Three under credit watch with Positive Implication)	-	-	-
3.	Bank Guarantee	Short Term	18.50	IVR A3/ Credit Watch with Positive Implication (IVR A Three under credit watch with Positive Implication)	-	-	-

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.



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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	150.26	IVR BBB-/ Credit Watch with Positive Implication (IVR Triple B Minus under credit watch with Positive Implication)
Overdraft	-	-	-	12.00	IVR A3/ Credit Watch with Positive Implication (IVR A Three under credit watch with Positive Implication)
Bank Guarantee	-	-	-	18.50	IVR A3/ Credit Watch with Positive Implication (IVR A Three under credit watch with Positive Implication)