



Press Release

Sanaka Educational Trust (SET)

October 03, 2023

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	164.78 (enhanced from 112.14)	IVR BBB; Stable (IVR Triple B with Stable Outlook)	Reaffirmed at IVR BBB; Stable (IVR Triple B with Stable Outlook)	Simple
Short Term Bank Facilities	10.25	IVR A3+ (IVR A Three Plus)	Assigned	Simple
Total	175.03 (Rupees one hundred seventy-five crore and three lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Sanaka Educational Trust (SET) continues to derive comfort from its experienced board of trustees, satisfactory infrastructure with association of experienced faculties and reputed doctors, stable financial performance of the entity with improvement in profitability, improvement in the capital structure and healthy debt protection parameters. However, these rating strengths are continued to remain constrained by its limited brand image, exposure to reputational risk and susceptibility to regulatory risks. The ratings also note project implementation risk in view of its ongoing project for expansion and its constitution as a trust.

Key Rating Sensitivities:

Upward Factors:

- Substantial and sustained growth in operating income and improvement in profitability
- Improvement in the capital structure and improvement in debt protection metrics
- Satisfactory progress in its expansion project

Downward Factors



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- Moderation in operating income and/or in cash accrual impacting the debt protection metrics on a sustained basis
- Deterioration in the capital structure with moderation in overall gearing to over 1x with moderation in interest coverage to below 5x
- Any time or cost overrun in execution of capex and/or any unplanned capex impacting the capital structure and/or liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced Board of Trustees**

SET started its operations in 2008 with a single institute named Institute of Engineering & Industrial Technology (IEIT) in Durgapur. Further, two more institutes named Swami Vivekananda School of Diploma and Rani Rashmoni School of Architecture respectively started as part of integrated campus. The Trust also started running a hospital with effect from January, 2016 with 350 beds and has tie-up arrangements with the Central government for its schemes like ESIC, Rashtriya Swasthya Bima Yojna (RSBY) and the state government for its scheme, 'Sastho Sathi'. The entire operation of the Trust is looked after by Mr. Partha Pobi (President, Son of Mr. Tapan Kr Pobi), who is a B.Tech by qualification, having about a decade long experience in the organization with required support from other experienced and qualified trust members.

- **Satisfactory infrastructure with association of experienced faculties and reputed doctors**

SET has the privilege of having a number of experienced faculty members, which is essential in building a strong brand name and attracting quality students. Further, all the institutes under SET have modern infrastructure including furnished hostels for boys and girls, transport & canteen facilities and latest tools & technologies. Further, Sanaka Hospitals have qualified and reputed doctors, research laboratories and well-trained staff.

- **Stable financial performance with improvement in profitability**

The total operating income of the trust has marginally increased by ~1.66% y-o-y in FY23 (provisional) to Rs.128.29 crore from Rs.126.19 crore in FY22 mainly attributed to improvement in the revenue from hospital on account of increase in number of beds in hospital



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from 323 beds in FY22 to 530 beds in FY23, translating into better revenue from hospital. Besides, better enrolment in B-Tech and Diploma courses also aided the revenue. Driven by improvement in TOI and decline in other operating expenses, the EBITDA margin remain healthy and improved from 45.02% in FY22 to 53.49% in FY23 provisional. The PAT margin also improved from 38.13% in FY22 to 45.27% in FY23 (Prov.)

- **Improvement in the capital structure and healthy debt protection parameters**

The capital structure of the trust moderated in FY23 with increase in term debt to finance the cancer hospital. The overall gearing ratio moderated from 0.21x as on March 31, 2022 to 0.36x as on March 31, 2023, but continues to remain comfortable. Further, the total indebtedness of the trust, marked by TOL/TNW though moderated remained comfortable at 0.60x as on March 31, 2023 as against 0.30x as on March 31, 2022. The debt protection metrics of the trust continued to remain healthy marked by interest coverage ratio of 14.03x in FY23 as against 11.53x in FY22. The improvement in Interest coverage is driven by higher EBITDA. Total debt to EBITDA stood at 1.11x as on March 31, 2023 as against 0.56x as on March 31, 2022. Total debt to GCA also continued to remain comfortable at 1.13x in FY23. Infomerics believes that the capital structure of the trust though expected to be moderated in the near term due to term loans availed for planned capex will continues to remain satisfactory.

B. Key Rating Weaknesses

- **Limited brand image, reputational risk and susceptibility to regulatory risks**

All the Institutes under SET offers a variety of courses and moderate placement opportunities; still it has a limited brand image unlike other more renowned universities, due to which its ability is limited in attracting students on pan-India basis. Further, the medical education sector is highly regulated and compliance with specific operational and infrastructure norms set by regulatory bodies is important. Thus, regular investment in the workforce and infrastructure is needed to conduct the operations efficiently. Further, all the healthcare providers need to monitor each case diligently and maintain high operating standard to avoid the occurrence of any unforeseen incident which can damage the reputation of the hospital to a large extent.

- **Project implementation risk**

In July 21, the trust started a project to set up a cancer hospital in its existing premises. The estimated cost of the project was Rs.117.21 crore, to be funded at a debt equity ratio of 1.99:1. The project is expected to be completed by December 2023. The project was financed by term loan of Rs.78.00 crore and internal accruals of Rs.39.21 crore. Till 30th June 2023, the trust



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has incurred cost of Rs.103.73 crore toward the project through term loan of Rs.54.65 crore, Rs.13.07 crore of advance from creditors and remaining through internal accruals. Financial tie up for entire debt has been done. The project is running as per bank approved COD. Presently the trust has embarked a project to set up a university cum administrative building as well as premises for additional lecture halls, examination hall, auditorium, expansion of teaching Hospital from 300 bed to 650 beds, nursing, intern hostel and doctor residence. The estimated cost of the project is Rs.75.95 crore, to be funded by term loan of Rs.60.00 crore and internal accrual of Rs.15.95 crore i.e., at a debt equity ratio of 3.86:1. The project has not yet been started and the trust has already been sanctioned limit of Rs.15 crore from Bandhan Bank. Financial tie up for remaining 45 crore is yet to be done. The trust expects the project to get started by December 2023 and gets completed by March 2025. \

- **Constitution as a 'Trust'**

SET is a trust, registered under West Bengal Societies Registration Act, 1961 and has obtained registration under section 12AA of the Income Tax Act, 1961 and is accordingly, subjected to lesser level of regulations.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria of assigning Rating outlook](#)

[Rating Methodology for Service Sector Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

Liquidity – Adequate

SET's liquidity position is expected to remain adequate marked by its strong gross cash accruals as against its debt repayment obligations. SET has earned gross cash accruals of Rs.67.28 crore in FY23 (Provisional) and has projected to earn gross cash accruals in the range of Rs.74.36 crore to Rs.76.84 crore as against its debt repayment obligations in the range Rs.7.69 crore to Rs. 13.49 crore during FY24-FY26.

About the trust

Sanaka Educational Trust (SET), registered under Indian Trust Act, 1882, was established in December, 2006 by Mr. Tapan Kr. Pobi for the purpose of imparting education and other charitable purposes. The trust commenced its operation in August, 2008 with an engineering college, named Institute of Engineering & Industrial Technology (IEIT), Durgapur. Currently,



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the college is affiliated to the Maulana Abul Kalam Azad University of Technology (MAKAUT) and is approved by All India Council for Technical Education (AICTE), Directorate of Technical Education (DTE) and Department of Higher Education, Govt. of West Bengal. SET has also started a project for creating the requisite infrastructure for setting up a Medical College cum Hospital, Sri Ramakrishna Institute of Medical Sciences (SRIMS) and Sanaka Hospitals in phases at Durgapur, West Bengal.

Financials - Standalone

For the year ended* / As on	(Rs. crore)	
	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	126.19	128.29
EBITDA	56.81	68.62
PAT	48.81	59.69
Total Debt	31.94	75.86
Tangible Net worth	153.38	213.17
EBITDA Margin (%)	45.02	53.49
PAT Margin (%)	38.13	45.27
Overall Gearing Ratio (x)	0.21	0.36

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information:

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loan	Long Term	109.78	IVR BBB /Stable	IVR BBB/ Stable July 08, 2022	IVR BBB/ Stable December 22, 2021	IVR BBB-/ Stable September 30, 2020
2.	Cash Credit	Long Term	10.00	IVR BBB /Stable	IVR BBB/ Stable July 08, 2022	-	-
3.	Overdraft	Short Term	1.00	IVR A3+	-	-	-
4.	Bank Guarantee	Short Term	9.25	IVR A3+	-	-	-
5.	Proposed Term Loan	Long Term	45.00	IVR BBB; Stable	-	-	-



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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI). Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks. Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations. Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary. For more information visit www.infomerics.com

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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
Long Term Bank Facility – Cash Credit	-	-	-	10.00	IVR BBB; Stable



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Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facility – Term Loan	-	-	December 2030	109.78	IVR BBB; Stable
Short Term Bank Facility – Overdraft	-	-	-	1.00	IVR A3+
Short Term Bank Facility – Bank Guarantee	-	-	-	9.25	IVR A3+
Long Term Bank Facility – Proposed Term Loan	-	-	-	45.00	IVR A3+

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-sanaka-oct23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.