



Press Release

Shree Chanakya Education Society (SCES)

September 28, 2022

Ratings:

(INR Crore)

| Instrument / Facility | Amount | Ratings | Rating Action | Complexity Indicator |
|--|---------------|---|---------------|--------------------------------------|
| Long Term Fund Based Bank Facilities – Term Loan | 67.90 | IVR BBB- /Stable Outlook (IVR Triple B Minus with Stable Outlook) | Assigned | Simple |
| Long Term Fund Based Bank Facilities – Cash Credit | 3.00 | IVR BBB- /Stable Outlook (IVR Triple B Minus with Stable Outlook) | Assigned | Simple |
| Long Term Fund Based Bank Facilities – Proposed | 29.10 | IVR BBB- /Stable Outlook (IVR Triple B Minus with Stable Outlook) | Assigned | Simple |
| Total | 100.00 | | | |

Details of Facilities are in Annexure 1

Detailed Rationale:

The ratings assigned to the bank facilities of Shree Chanakya Education Society derive strength from experienced board of trustee with long track record, diverse presence across the education sector through established schools and colleges offering varied diploma, graduation, and post-graduation courses, satisfactory infrastructure coupled with experienced faculties and comfortable financial risk profile. However, the rating strengths are partially offset by susceptibility to regulatory risks, and intense competition.

Key Rating Sensitivities:

Upward Factors:

- Improvement in enrolment ratio leading to improvement in the operating income and profitability on a sustained basis.
- Improvement in liquidity position.
- Improvement in the capital structure with reduction in debt level and/or improvement in debt protection metrics.

Downward Factors:

- Dip in operating income and/or profitability due to decline in enrolment ratio impacting the debt protection metrics.
- Deterioration in the capital structure and/or debt protection metrics and liquidity position.



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Key Rating Drivers with detailed description

Key Rating Strengths:

Experienced Board of Trustee with long track record:

The trust was established in 1993 and has an operational track record for more than two decades. The trust was founded by Dr. Tarita Shankar & Mr. Chetan Wakalkar, involved in the day-to-day administration, which includes heading the finance and business sides of the trust. The extensive experience of the governing body members in the education and medical industries is expected to continue to support the business risk profile.

Diverse presence across the education sector through established schools and colleges offering varied diploma, graduation, and post-graduation courses:

SCES has a strong presence in Pune, Maharashtra, where it manages 14 institutions, including schools and colleges offering graduation and post-graduation courses in field of commerce, science, arts, engineering, and MBA. The degree colleges are affiliated to Pune University and colleges offering professional courses to All India Council for Technical Education, SCES attracts students from pan India and provides education around 16,000 students. Currently the trust has an occupancy rate over 90% in current fiscal year.

Satisfactory infrastructure coupled with experienced faculties:

SCES 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 the Trust have modern infrastructure including but not limited to, transportation & canteen facilities and latest tools & technologies.

Comfortable financial risk profile:

The capital structure of the society remained moderate as on the past three account closing dates mainly due to moderate corpus fund. The Society's net worth stood at 167.10 Crores in FY22 (Prov.) as against Rs. 152.80 Crores in FY21. The overall gearing stood at 0.45x in FY22 (Prov.) as against 0.55x in FY21. Total indebtedness of the society also remained strong as reflected by TOL/TNW at 0.85x as on March 31, 2022 (Prov.). The debt protection parameters remained at moderate level i.e., ISCR & DSCR at 2.59 & 1.66x in FY22(Prov.). It is expected to remain same in the projected period on account of expected increase in operating receipts.



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Key Rating Weaknesses:

Susceptibility to regulatory risks:

The “education” being a subject in the concurrent list of India, is the responsibility of both the state and central governments. The standards and policies for higher and technical education in India are thus, laid down by the Ministry of Human resource development under Central government. The sector is further regulated by the federal agencies viz. University Grants Commission (UGC), All India Council for Technical Education (AICTE) and various other specialised bodies like Medical Council of India, Bar Council of India, etc. The education industry thus faces regulatory challenges as the institutions are bound by the regulations pertaining to fee structure, number of seats and changes in curriculum laid down by the authorities.

Intense competition:

The education sector is highly fragmented with the presence of large number of small and big players due to high growth opportunities and government’s thrust on education for all. Therefore, the players in this industry are exposed to competition induced pressures on student enrolments and overall student strength. SCES faces high competition from the other educational institutes located in the vicinity. However, it has been able to sustain healthy enrolment ratio for the various courses the society offers.

Analytical Approach: Standalone

Applicable Criteria:

[Credit Rating Outlook](#)

[Rating Methodology for Service Sector Companies.](#)

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

Liquidity: Adequate

The liquidity position of SCES remains adequate with net cash accruals of Rs.14.40 crore (Provisional) in FY2022 with debt obligation of Rs. 9.39 crore (Provisional) during same period. The current ratio of 1.42 times (Provisional) as on March 31, 2022, as compared to 0.82 times as on March 31, 2021. Considering capex of around Rs ~38.00 crore in the next three fiscals (funded through term loan of around Rs 24 crore), debt service coverage ratio (DSCR) is estimated to remain comfortable. The cash and liquid investments balance has remained stable at Rs 17.54 crore as on March 31, 2022 (Provisional). The average utilisation for the last 15 months ended 31st June 2022 stood at ~31.10%, reflecting adequate liquidity position.



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About the Company:

Pune based Shree Chanakya Education Society (SCES) is a public charitable trust established in December 1993 and was founded by Dr. Tarita Shankar. SCES runs 14 educational institutes by the name of Indira Group of Institutes, offering school education along with undergraduate, postgraduate and doctorate courses in management and engineering. The courses run by these institutes are recognised by the All-India Council for Technical Education (AICTE). The institutes are spread across two campuses with around 18,000 students as of August 2022.

Financials: Standalone

(INR Crore)

| For the year ended/ As On | 31-03-2021 | 31-03-2022 |
|----------------------------|------------|---------------|
| | (Audited) | (Provisional) |
| Total Operating Income | 120.41 | 132.20 |
| EBITDA | 24.08 | 24.20 |
| PAT | 2.04 | 6.19 |
| Total Debt | 83.90 | 74.56 |
| Tangible Net-worth* | 152.80 | 167.10 |
| Ratios | | |
| EBITDA Margin (%) | 20.00 | 18.31 |
| PAT Margin (%) | 1.69 | 4.68 |
| Overall Gearing Ratio* (x) | 0.55 | 0.45 |

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

(INR Crore)

| Sr. No. | Name of Instrument/ Facilities | Current Ratings (Year 2022-23) | | | Rating History for the past 3 years | | |
|---------|--|--------------------------------|--------------------|-------------------------|---------------------------------------|---------------------------------------|---|
| | | Type | Amount outstanding | Rating | Date(s) & Rating(s) assigned in 21-22 | Date(s) & Rating(s) assigned in 20-21 | Date(s) & Rating(s) assigned in 2019-2020 |
| 1 | Long Term Fund Based Bank Facilities – Term Loan | Term Long | 67.90 | IVR BBB-/Stable Outlook | -- | -- | -- |



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| | | | | | | | |
|----|---|--------------|-------|-----------------------------|----|----|----|
| 2 | Long Term Fund Based Bank Facilities – Cash Credit | Long Term | 3.00 | IVR BBB- /Stable Outlook | -- | -- | -- |
| 3. | Long Term Fund Based Bank Facilities – Proposed | Long Term | 29.10 | IVR BBB- /Stable Outlook | -- | -- | -- |

Name and Contact Details of the Rating Team:

Name: Harshal Abhyankar

Tel.: (022) 6239 6023

Email: harshal.abhyankar@infomerics.com

Mr. Prakash Kabra

Tel.: (022) 6239 6023

Email: prakash.kabra@infomerics.com

About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. 7 Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations. For more information visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



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Annexure 1: Details of Facilities:

(INR Crore)

| Name of Facility | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility | Rating Assigned/ Outlook |
|--|------------------|------------------|---------------|------------------|--------------------------|
| Long Term Fund Based Bank Facilities – Term Loan | -- | -- | -- | 67.90 | IVR BBB-/Stable Outlook |
| Long Term Fund Based Bank Facilities – Cash Credit | -- | -- | -- | 3.00 | IVR BBB-/Stable Outlook |
| Long Term Fund Based Bank Facilities – Proposed | -- | -- | -- | 29.10 | IVR BBB-/Stable Outlook |

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Shree-Chanakya-sep22.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 <https://www.infomerics.com/>.