



Press Release

Shree Chanakya Education Society (SCES)

September 13, 2023

Ratings

Instrument/ Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Bank Facilities – Term Loan	98.36	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	Reaffirmed	Simple
Long Term Fund Bank Facilities – Overdraft	12.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	Reaffirmed	Simple
Proposed Long Term Fund Bank Facilities – Term Loan	3.64	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	Reaffirmed	Simple
Total	114.00	(Rupees One Hundred and Fourteen crore only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Shree Chanakya Education Society continue to derive strength from its 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.

The ratings strengths are, however, constrained 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.



Press Release

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.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Board of Trustee with long track record

SCES was established in 1993 and has an operational track record for more than two decades. The trust was founded by Dr. Tarita Shankar and 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 16 institutions, including schools and colleges offering graduation and post-graduation courses in field of commerce, science and arts. 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 14.500 students. Currently the trust has an occupancy rate over 95% 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.



Press Release

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 Rs. 184.95 crore in FY23 (Prov.) as against Rs. 166.59 crore in FY22. The overall gearing stood at 0.34x in FY23 (Prov.) as against 0.45x in FY22. Total indebtedness of the society also remained strong as reflected by TOL/TNW at 0.77x as on March 31, 2023 (Prov.). The debt protection parameters remained at moderate level i.e., ISCR and DSCR at 3.29x and 1.99x respectively in FY23(Prov.). However, it is expected to improve through FY24-FY26 on account of the expected increase in enrolment ratio.

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



Press Release

Applicable Criteria:

[Criteria of Rating Outlook](#)

[Rating Methodology for Service Sector Companies](#)

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

Liquidity – Adequate

The liquidity position of the company remains adequate as cash accruals are expected to match with debt repayment obligations. The free cash balance as on March 31, 2023, stood at Rs. 20.05 crore. The average working capital utilisation for 12 months ending July 2023 has been 36.12%. The current ratio stood and quick ratio stood at 1.19 times as on March 31, 2023. SCES is in process to add infrastructure facilities to existing educational institutes. The total cost of project is Rs. 56.38 crore which will be funded by debt of Rs. 42.00 crore and balance Rs. 14.38 crore by way of internal accruals.

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 16 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 14,500 students as of August 2023.

Financials (Standalone):

For the year ended / As on	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	131.97	151.40
EBITDA	21.77	27.23
PAT	5.59	9.61
Total Debt	74.55	63.56
Tangible Net-Worth	166.59	184.95
Ratios		
EBITDA Margin (%)	16.49	17.99
PAT Margin (%)	4.16	6.34
Overall Gearing Ratio (x)	0.45	0.34



Press Release

* 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 Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (September 28, 22)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loan	Long Term	98.36	IVR BBB-/Stable	IVR BBB-/Stable	--	--
2.	Overdraft	Long Term	12.00	IVR BBB-/Stable	IVR BBB-/Stable	--	--
3.	Proposed Term Loan	Long Term	3.64	IVR BBB-/Stable	IVR BBB-/Stable	--	--

Name and Contact Details of the Analytical Team:

Name: Amey Joshi

Tel: (022) 62396023

Email: amey.joshi@infomerics.com

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



Press Release

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.

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 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.



Press Release

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 – I	--	--	March, 2033	42.00	IVR BBB-/ Stable
Term Loan – II	--	--	January, 2031	45.78	IVR BBB-/ Stable
Term Loan – III	--	--	January, 2031	0.74	IVR BBB-/ Stable
Term Loan – IV	--	--	January, 2031	5.16	IVR BBB-/ Stable
Term Loan – V	--	--	January, 2031	4.68	IVR BBB-/ Stable
Overdraft	--	--	--	12.00	IVR BBB-/ Stable
Proposed	--	--	--	3.64	IVR BBB-/ Stable

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-SCES-sep23.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.