



Press Release

Shree Chanakya Education Society (SCES)

November 12, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities – Term Loan	68.10	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Long Term Bank Facilities – Overdraft	12.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Proposed Long Term Bank Facilities – Term Loan	45.51	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Proposed Long Term Bank Facilities – Overdraft	16.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	--	Assigned	Simple
Total	141.61 (Rupees One Hundred Forty-One crore and Sixty-One lakh only)				

Details of Facilities are in Annexure 1. Facility wise lender details are at Annexure 2.

Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics has reaffirmed its rating assigned to the bank facilities as SCES continues to derive strength from sustained improvement in revenue and profitability margins, comfortable capital structure, experienced Trustees with long track record. The ratings are however constrained by project execution risk, susceptibility to regulatory risks and intense competition in the education sector.



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The outlook is expected to remain stable through extensive experience of Board of Trustee in education sector along with sustained improvement in revenue and margins and comfortable debt protection metrics.

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

- Any sustained decline 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

Sustained improvement in revenue and profitability margins

SCES's revenue has improved by 15% to Rs. 171.68 crore in FY24 (period refers to 01st April 2023 to 31st March 2024) (FY23:Rs.148.8 crore) due to the additional revenue from new campus and increased in fee income from existing educational institutes. During 1HFY25, the trust has achieved revenue of Rs.90.77 crore with higher seats which is expected to improve with current ongoing capex of increase in the intake.

Further, EBITDA margin has improved to 16.69% in FY24 from 13.97% in FY23 due to benefits of operating leverage.

Comfortable capital structure

SCES's capital structure continued to remain comfortable with overall gearing and TOL/TONW continued to remain stable and at 0.35x and 0.69x respectively as on 31st March 2024 (31st March 2023: 0.35x and 0.76x respectively). Further, SCES's interest coverage ratio has



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improved to 4.23x in FY24 from 2.50x in FY23 due to increase in EBITDA. Further, Total debt/ NCA ratio has improved to 2.98x in FY24 and 3.94x in FY23 due to increase in NCA.

Experienced Board of Trustee with long track record

Established in 1993, SCES has more than two decade of operational track record. The trust was founded by Dr. Tarita Shankar 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.

Key Rating Weaknesses

Project execution risk

SCES is incurring capex of Rs. 86.88 crore for building infrastructure (increased from previous year's original capex plan amounting Rs. 56.38 crore), funded through debt (74.22%) and internal accruals (25.78%). SCES is incurring this capex for capacity expansion which lead to increase in seating capacity of students. As per management, SCES has completed capex amounting Rs. 26.18 crore till October 2024 and remaining capex amounting Rs. 60.70 crore will get completed by December 2025.

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 in the education sector

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



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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:

[Rating Methodology for Service Sector Companies](#)

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

[Criteria on assigning rating outlook](#)

[Criteria on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The liquidity position of the company remains adequate as cash accruals are expected to match adequately with debt repayment obligations. The free cash balance as on March 31, 2024, stood at Rs. 23.97 crore. The average working capital utilisation for 12 months ending September 2024 has been 47.24%. The current ratio and quick ratio stood at 1.15x and 1.15x respectively in FY24.

About the Trust

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).

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	148.80	171.68
EBITDA	20.79	28.66
PAT	6.31	14.35



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For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Debt	63.56	73.25
Tangible Net Worth	182.36	206.96
EBITDA Margin (%)	13.97	16.69
PAT Margin (%)	4.12	8.21
Overall Gearing Ratio (x)	0.35	0.35
Interest Coverage (x)	2.50	4.23

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (September 13, 2023)	Date(s) & Rating(s) assigned in 2022-23 (September 28, 2022)	Date(s) & Rating(s) assigned in 2021-22
1.	Term Loan	Long Term	68.10	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable	--
2.	Overdraft	Long Term	12.00	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable	--
3.	Proposed Term Loan	Long Term	45.51	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable	--
4.	Proposed Overdraft	Long Term	16.00	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.

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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 - I	--	--	March, 2033	18.84	IVR BBB-/ Stable
Term Loan – II	--	--	January, 2031	40.45	IVR BBB-/ Stable
Term Loan – III	--	--	January, 2031	0.65	IVR BBB-/ Stable
Term Loan – IV	--	--	January, 2031	4.02	IVR BBB-/ Stable
Term Loan - V	--	--	January, 2031	4.14	IVR BBB-/ Stable
Overdraft	--	--	--	12.00	IVR BBB-/ Stable
Proposed Term Loan	--	--	--	45.51	IVR BBB-/ Stable
Proposed Overdraft	--	--	--	16.00	IVR BBB-/ Stable

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-SCES-nov24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.