



## Press Release

**Silver Oak Shops & Offices Co. Op. Housing Society Limited,**

**November 30, 2022**

### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	93.76	IVR BBB-/ Stable Outlook (IVR Triple B Minus with Stable Outlook)	Revised and removed from Issuer Not Cooperating	Simple
Long Term Bank Facilities	6.00	IVR BBB-/ Stable Outlook (IVR Triple B Minus with Stable Outlook)	Reclassified from ST to LT; Revised and removed from Issuer Not Cooperating	Simple
<b>Total</b>	<b>99.76 (Rupees Ninety-Nine Crore and Seventy-Six Lakh Only)</b>			

**Details of Facilities are in Annexure 1**

### Detailed Rationale:

The aforesaid rating assigned to the bank facilities of Silver Oak Shops & Offices Co. Op. Housing Society continues to derive strength from its experienced board management, strategic location of campus with satisfactory infrastructure and association of experienced faculties, healthy profitability and moderate capital structure and debt coverage indicators. The rating also gains strength from benefits derived from its status as a university and favourable demand outlook for education sector in India market by significant demand for higher education. The rating is however constrained by capital intensive nature of operations, intense competition in the sector and susceptibility to regulatory risk.

### Key Rating Sensitivities:

#### Upward Factors

- Improvement in enrolment rates thereby adding to the growth in operations and profitability and consequent increase in liquidity on a sustained basis.



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- Reduction in debt level with improvement in the capital structure and debt protection metrics.

### **Downward Factors**

- 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.
- Any unplanned capex impacting the overall financial risk profile

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

- **Experienced Board of Management:**

The promoters of the society, the Silver Oak Group of Gujrat started their operations in the education sector in 2008. Mr. Shital Omprakash Agarwal, the main promoter and Chairman of SOSOCHS is highly experienced in the education sector with more than two decades of experience. He is actively involved in the management of the society with support from Ms. Poonam D Agarwal (Executive Director) also having experience for over one decade and Mr Janak Khandwala (Joint Executive Director). The day-to-day activities of the educational institutions are managed by respective Principals under the guidance of society members.

- **Strategic Location Advantage**

Ahmedabad is the commercial capital of Gujarat and has industrial hubs in vicinity. The colleges are within the city limits of Ahmedabad Municipal Corporation (AMC) that aids the students for undertaking live project, training, internships, and placements. Location is well connected and enjoys proximity to road (S.G. Highway – 500 meters from site), rail (13 kms from site) and airport. Moreover, there are only two colleges of engineering within the municipal limits of the city one of them is Silver Oak Group of Institutes and another is the government college named LD College of Engineering.



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- **Satisfactory infrastructure with association of experienced faculties**

The institutes under SOSOCHS have 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 SOSOCHS have modern infrastructure including modern lab, canteen facilities and latest tools & technologies.

- **Improved scale of operations with healthy profitability**

The total operating income of the company has witnessed an increasing trend with a CAGR of ~31% during FY19-FY22(Prov.) with y-o-y growth of 55.47% with total operating income of Rs. 110.91 crore in FY22(Prov.) as compared to Rs 71.42 crore in FY21 driven by increase in enrolment following receipt of status of university as well as due to introduction of new non-technical courses. Being in service sector, the operating profit margin of the society remained healthy over the years. However, the EBITDA margin of SOSOCHS witnessed a moderation from 34.89% in FY21 to 30.70% in FY22(Prov.) due to increase in salary and wages expenses. However, PAT Margin increased from 11.02% in FY21 to 11.09% in FY22(Prov.). Further, GCA improved from Rs 14.71 crore in FY21 to Rs 19.10 crore in FY22(Prov.).

- **Moderate capital structure and debt protection parameters**

The capital structure remained moderate with overall gearing (including quasi-equity) of 1.26x as on March 31, 2022(P) against 1.39x as on March 31, 2021; improved on account of accretion of profits to reserves. Unsecured loans to the tune of Rs.20.82 crore have been considered as quasi-equity as the same are subordinate to bank debt. TOL/TNW (including quasi-equity) improved from 1.58x as on March 31, 2021, to 1.46x as on March 31, 2022(P). The Total debt-to-GCA improved from 5.48x in FY21 to 4.64x in FY22, ICR moderated from 4.88x in FY21 to 4.82x in FY22(P) and DSCR improved from 1.53x in FY21 to 1.67x in FY22.

- **Benefits derived from university status**

Being a university, the society can decide on its fees, course structure, no of colleges and intake capacities which provides it flexibility in its operations and help it in improving its revenues.



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- **Favourable demand outlook for education sector in India marked by significant demand for higher education**

The long-term demand outlook of the education sector remains favourable on the back of a significant demand-supply gap in the higher education space which 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.

### Key Rating Weaknesses

- **Susceptibility to regulatory risks**

The education sector is highly regulated and compliance with specific operational and infrastructure norms set by regulatory bodies are important. Any regulatory changes that impact the flexibility of society may adversely impact the revenue profile and cash accruals.

- **Capital Intensive nature of operation**

Education sector needs regular investment in the workforce and infrastructure to upgrade its facilities and to conduct the operations efficiently. SOSOCHS has plans to construct new F Block building and additional floors in their existing E Block, A Block and C Block. This would help the society reach a student capacity of 25,000 students by FY25. The project is estimated to cost Rs 40 crore of which Rs 30 crore is to be funded by bank debt and remaining by retained earnings.

- **Intense Competition**

SOSOCHSL faces intense competition from reputed public and private institutes in and nearby states. This puts pressure on attracting / retaining talented students and faculty.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Service Sector Companies](#)

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



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### [Criteria of assigning Rating Outlook](#)

#### **Liquidity –Adequate**

The society's liquidity is adequate marked by expectation of sufficient cushion in cash accruals vis-à-vis debt repayments. SOSOCOHSL reported a GCA of Rs 19.10 crore in FY22(P) against the repayment of Rs 9.60 crores for FY23. The fund-based bank limits of the company remain utilized fully at 100% during the past 12 months ended October 2022 and non-fund-based limits utilized at an average of 98.75% for past 12 months ended October 2022. The free cash and cash equivalent of the society was Rs 9.63 crore as on March 31, 2022. The operating cycle of the society deteriorated from 13 days in FY21 to 31 days in FY22 due to higher receivables in FY22.

#### **About the Company**

Silver Oak Shops & Offices Co. Op Housing Society (SOCOCHS), incorporated in 2006, manages Silver Oak University (setup in 2019) which has 16 institutes under it including Silver Oak College of Engineering and Technology (set up in 2009) and Aditya Silver Oak Institute of Technology (ASOIT) (set up in 2014) in Ahmedabad, Gujarat. SOSOCHS is managed by Mr Shital Omprakash Agrawal (Chairman), and Mrs Poonam D Agrawal (Executive Director) having an experience of more than a two decade and supported by qualified personnel.

The society also manages a National Skill Development Centre, a vocational training centre under the Skill India Campaign and an incubation centre. SOSOCHS had applied to set up the Private University for which it got approval by the state government on July 16, 2019.



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### Financials (Standalone):

For the year ended/as on*	31-03-2021 (Audited)	31-03-2022 (Provisional)
Total Operating Income	71.42	110.91
EBITDA	24.92	34.05
PAT	7.88	12.34
Total Debt	80.57	88.69
Tangible Net Worth (including quasi equity)	57.86	70.21
EBIDTA Margin (%)	34.89	30.70
PAT Margin (%)	11.02	11.09
Overall Gearing	1.39	1.26

**Status of non-cooperation with previous CRA:** None

**Any other information:** Not Applicable

**Rating History for last three years:**

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2022-23)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Rating (August 31, 2022)	Date(s) & Rating(s) assigned in 2021-22 (June 16 <sup>th</sup> , 2022)	Date(s) & Rating(s) assigned in 2020-21 (April 14 <sup>th</sup> , 2020/August 25 <sup>th</sup> , 2020)	Date(s) & Rating(s) assigned in 2019-2020
1.	Long Term Bank Facilities	Long Term	93.76	IVR BBB-; Stable	IVR BB+; Issuer Not Cooperating	IVR BBB-; Stable	IVR BBB-; Stable	--
2.	Long Term Bank Facilities	Long Term	6.00	IVR BBB-; Stable	IVR A4+; Issuer Not Cooperating			

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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



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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	-	--	September 2030	84.36	IVR BBB-; Stable
Term Loan	-	-	October 2024	3.90	IVR BBB-; Stable
Overdraft	-	-	Revolving	5.50	IVR BBB-; Stable
Bank Guarantee	-	-	Revolving	6.00	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-SilverOak-nov22.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](http://www.infomerics.com).